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THE ROLE OF CAPITALISTS IN CHINA

Leading businessmen in China, who have been "transformed" had been discussing with no small agitation how long Peking will pay the 5% interest now being allowed to capitalists and industrialists whose factories and other properties were "taken over" by the State under what is euphemistically called joint ownership. The Manager of the Wing On Company, one of the biggest department stores and other enterprises in Shanghai, Kuo Lin-shuong, was quoted on December 11 as revealing that a promise had been made to continue payment of this interest for another six years at least, which was "more than I expected." He said that many foreign visitors had asked him about the length of time this fixed interest would be paid to the capitalists—only, of course, to the Chinese, not to the dispossessed foreign entrepreneur. He admitted that he himself had been worried about it. Indeed the lack of a definite assurance from the authorities was almost certainly a major factor in the Party papers' complaint of inadequate co-operation from them.

One of the troubles is that the Government cannot very well make fish of one and fowl of the other. The smaller entrepreneurs, who are rather despised by the typical Communist with his worship of size, are rather aggrieved. Their spokesman at the Congress of the All-China Federation of Industry and Commerce on December 11 (Chang An-kuo) argued that it was unfair if the big capitalists had thousands of yuan income from interest on their property while small people with low interest did not have the benefit of social welfare services. Though the workers and the trade unions object to

this, the small traders are persistent and the spokesman urged the Federation to do more to assist "people like us," though they were glad that they were allowed to change their social status now. The argument of the Simon-pure Marxists is that so long as interest is received, both big and little capitalists still rank as exploiters and cannot therefore enjoy the privileged status of the worker. One delegate from the Heilungkiang group, mostly small shareholders, said opinion among them was favourable to the proposal that small owners could change their social status without giving up fixed interest. Another said that in his place (probably Harbin) there were three categories of small shareholders. Some think the 5% interest is not to their advantage since they cannot enjoy social welfare services, which are worth a lot more to them; others who were working felt ashamed to accept the 5%; still others thought it was exploitation. The solution ultimately suggested was satisfactory: those who have difficulties can now enter the trade union and enjoy labour insurance. As for the rest, they were entirely free to decide for themselves.

The Tientsin group at the conference were uneasy about the many "secret" (i.e., new and untransformed) factories that have developed since the free markets had opened. Some thought these new factories were necessary and should be legalised; others thought the FCI should investigate and "expose" them.

In an editorial welcoming the Congress of the ACFC, the People's Daily admitted that the capi-

talists in general have been working energetically since the changeover to joint operation, and about 300,000 of them are taking part in one form of socialist emulation or another. Some of them have even been recognised as "Outstanding Workers." However, a number of them have not yet adapted themselves to the new forms of operation. It expressed the hope that through this Congress, industrialists and businessmen all over the country would play a still more active role in the interests of socialism. The Ta Kung Pao described the Congress as widely representative and said it is in a position to ensure a full exchange of experience in the work of socialist transformation. It described the policy of "buying out" the capitalists by giving them a fixed percentage of interest on their assets as a form of "peaceful elimination of capitalism."

The Convention was the first of the All-China Federation since 1953, though the standing committee has met quite often during the period of transformation. The Chairman, Chen Shu-tung, said the next stage in the transformation would be the conversion of the joint enterprises into completely state-owned undertakings. It was the fear that when this happened all further payments would cease that caused the owners to hold back and to bargain for fairer treatment. But Chen Shu-tung assured the members that the State would not cancel the interest "when conditions were not ripe to do so." He added, however, that this annual interest was not due to the Government's feeling of obligation to them as property owners but simply to facilitate the peaceful transformation of capitalism and get them to carry on their work, study and have time to change step by step into people relying on their own labour. Following the change-over to joint operation, he said, the solution of the class conflict by discussion had become more favourable. To ensure that the socialist transformation of capitalism was peaceful, the state had adopted the method of state capitalism, and were purchasing the capitalists' means of production in stages. This had first taken the form of allowing the capitalists to share the profits of the enterprises, and after the changeover of private into joint enterprises, it had been a fixed annual interest as compensation. "In the old days," he said "the loss of our means of production meant poverty and bankruptcy. In our new society, the nationalisation of means of production means promoting economic development and raising the living standards of all. It is certain that we industrialists and businessmen will, like all the other people, have a richer and happier life following the phased nationalisation of private enterprises." He urged the capitalists to think in the interests of the people and the country and develop the outlook of serving the people. He said that since the free markets had been developed, a few capitalists had begun "secret" factories to take advantage of this opening. He spoke of the relationship between the state representatives and private owners of capital in joint enterprises as the major problem in these enterprises, and criticised those who were experienced in production and management for not respecting the state representatives (Party and Government officials) enough. He added that as a result of the efforts by these representatives in the past few months, the relationship between the two sides had been improved. But he added that there were some State representatives who lacked the spirit of democracy and co-operation in dealing with the private persons (former capitalists and managers). Improving these relationships would depend on both sides, and he urged both industrialists and businessmen to take up their side of the responsibility. Industrialists and businessmen who had modern technical and managerial knowledge should give themselves to the task of bringing China's economy up to international standards within 12 years. The capitalists, he said, were "gratified" that the CCP had adopted the measure of peaceful socialist transformation of

capitalism. As a result they had welcomed the changeover, and this historically unprecedented development "opens the way to prosperity and happiness for the people."

It was after his speech that Vice-Premier Po I-po gave his assurance that fixed interest will continue to be paid to private shareholders at least until the end of the second five year plan (1962). The capitalists, he said, ought to continue to accept their fixed interest. He referred to the feeling among the smaller private shareholders against continuing to retain the social status of capitalists, and stressed that there should be no "persuasion" to give up the 5% interest and no campaigns would be launched about it. The payment of fixed interest was, he said, the state policy of buying out private enterprises. This was realistic and practical, since too early an end of paying the interest would be detrimental to the living conditions of the capitalists. The payment of fixed interest would not be ended till conditions had "matured." He called on industrialists to produce more and better goods and reduce the cost of circulation of goods.

Still the delegates seemed unimpressed. After all, the property seized by Government was theirs. They had been dispossessed in the name of a political theory by Party dictatorship which gained power by armed force during a period of complete lawlessness, when the only law was the Edict from Peking and all the codes and rights of the citizen had been denounced and discarded. It was one thing to dispossess the foreigner and to expect him to take it lying down: it was quite another thing to rob the Chinese themselves—and those at that who had been the most useful and constructive citizens of all when the country and its pride and reputation lay in the dust at the feet of warlords, charlatans, and destructive politicians who used politics as a game rather than a profession to gamble for a fortune.

But whatever may have been the reasoning in their minds, it was clear that the former capitalists were not satisfied with the concession, for later on the senior Vice-Premier and concurrent Minister of Commerce Chen Yun, who is also one of the Big Five in the Politburo, gave an assurance to the conference of 1,400 representatives of industry and commerce that payment of the fixed interest to the former owners of the properties, industries and businesses, would be extended to a longer period than seven years if cancellation at that time would cause hardship or if continuation of the interest would help the capitalists to work better and adapt themselves more easily to socialism. With this he also applied a little soft soap. The capitalists, he said, had made great contributions to China and the Chinese people—an admission he would never have dreamt of making during the brutal "five-anti" drive against them by the Party's bullyboys a few years before. But seven years payment of interest at 5% is much less than half of the capital involved and what many of the industrialists and businessmen wanted was justice, not a grudging concession of 35% of the value of the land, buildings, equipment and other assets taken over by the State under a variety of pretexts and pressures. It is bad enough anyway to have to run your own business, now expropriated by the State, with administrative committees, Youth League organisations, trade union committees, and representatives of State and private interests as a fantastic super-structure or dissonant chorus. These men ran their own businesses and as is common knowledge ran them well. The first steps in industry were halting and poor. The only people who had money after the first world war were the Tsuchis and Governors and other high officials. Some of them put their capital into cotton mills, gave jobs to all their families and hangers on and watched them go bankrupt or pass into Japanese hands. The great majority of the industrialists

and businessmen who took up these activities during the Nationalist period were men of ability. In some cases the businesses they created were their life's work and they were rightly proud of it.

Some of the workers no doubt think that if Government expropriated the properties outright and kicked out the former owners and managers, they would be able to run them without aid. At any rate many of them are strongly opposed to the payment of interest and even to having to work with their former bosses, whom they bullied and maltreated during the anti-bourgeois terror campaign. In any case they could hardly be ignored, and Chen Yun warned the capitalists of the need to improve their relations with the workers, just as the representatives of the State bodies and private representatives in the joint enterprises had been improved.

Owing to the "historic antagonism" between the capitalists and the workers (created by the Communists themselves), these relations could not be improved at once. Small industrialists who would have been dispossessed altogether if they could then get the privileged status of the workers and enjoy the special privileges of the social welfare provisions were told they must accept the interest.

At the same time Chen Yun—the most important economic personality in the Government—seemed almost to protect the so-called "secret workshops" or unregistered private enterprises, which sprang up so suddenly last autumn, especially in Shanghai. He said they were few in number and generally were doing useful things, which the big plants could not do. They could increase the number and variety of available goods and are swiftly adaptable to localised demand. Only a minority were engaged in harmful speculative activities. Nor would he permit the restoration of the free market in certain farm products to be used as a stick

with which to beat the Government. As a result of the opening of the free markets, he said, there had already been a marked increase of agricultural products for sale, and the defects in the management of the state commercial departments and co-operatives had been exposed in such a way as to force them to improve their work.

The fact that this happened to be true did not soften the impact of this confession of the failure of bureaucratic State trade as compared with the efficiency and flexibility of private trade, coming as it did from the No. 1 Communist economic revolutionary, who was the first to introduce Socialistic measures into the economic machine within a few months of the institution of the People's Government in Peking. It must have made quite an impression upon the Chinese visitors from Hongkong, Macao and overseas as well as upon the members in general of the ACFIC. The system of interest, said Chen Yun, was a sort of buying out of the owners in stages by methods of State Capitalism.

The People's Daily, in an editorial on Christmas Eve evaluating the significance of the Congress, said it had satisfactorily settled the question of the next steps in socialist transformation as it affects the industrialists and businessmen. The State, it said, had created the conditions for them to accept Socialist transformation. It now requires their determination and their efforts to accept transformation and link their personal interests with those of the State. The Government's mouthpiece says there is "a bright future for them insofar as they apply their experience and knowledge to the tasks of economic construction, on which China is engaged, with the development of heavy industry as the core, so as to lay the material foundations for Socialism.

Other papers say that the resolutions give assurances that the industrialists and businessmen will "give full expression to their patriotism and strengthen their self-re-

COMMUNIST CHINA AND THE FERMENT IN EASTERN EUROPE

The November 1 statement of Peiping on the Polish-Hungarian upheavals officially places Communist China's reputation behind a "controlled democratization" within the Soviet bloc. Peiping apparently believes that the survival of the "socialist family of nations" as a geographic and ideological entity, under Soviet leadership, depends upon speedy reforms, which however cannot be permitted to overthrow Communist control in Eastern Europe or "friendly" relations of these states to the USSR. Hence, Peiping's use of a special government release to air a remarkably candid discussion of Soviet "mistakes" coupled with an implied endorsement of Soviet military intervention to put down any anti-Communist revolts.¹

In an important sense, Communist China's strong, if belated, reaction, acknowledges its unwitting and indirect role in precipitating the present crisis. An analysis of Peiping's past relations with Eastern Europe suggests that the Chinese Communist Party was never as unfriendly to Tito as it was publicly made to appear, and that its own exceptional position in the orbit has been increasingly influential on satellite thinking since the Korean War. At the same time, it is highly doubtful that Chinese Communist leaders ever consciously sabotaged the Soviet position in Eastern Europe, believing as they do that close geographic and political federation of Communist states under Soviet leadership is essential to the survival and growth of world Communism.

I. The Issue

To what extent has Communist China helped to bring about the current upheavals in Eastern Europe? This question was first raised on October 15, 1956 by reports of the *New York Times* correspondent, Sidney Gruson, that Mao Tse-tung or Chou En-lai had encouraged Edward Ochab, first secretary of the Polish United Workers (Communist) Party,

to develop internal independence and "socialism" along Titoist lines. The truth of Gruson's report cannot be established. Nevertheless, the issue which it raises concerning Peiping's present role in the Soviet orbit and particularly in Eastern Europe cannot be lightly dismissed.

The date of its historical origin lies in that fateful period between the fall of Tito from Stalin's good graces in late June 1948 and the precipitous collapse of the Chinese Nationalist armies which began in October 1948. In that brief interim, Mao Tse-tung and his followers came to learn that they must make their peace with Stalin on precisely the questions that caused Tito's expulsion from the bloc. The ways and means by which this accommodation was achieved represents the complex history of Sino-Soviet relations from 1948 to 1953 and cannot be related here.

Inevitably, Mao's entry into Stalin's rigid picture of world "socialism" was to have an enormous impact, far beyond the boundaries of direct Sino-Soviet relations, and indeed was to help pave the way for the eventual restoration of Yugoslavia to an accepted role in the constellation of Communist parties. In an important sense, Communist China accomplished within the framework of the Soviet orbit that which Yugoslavia was forced to go outside the orbit to accomplish. Though the Chinese Communist Party publicly condemned Tito in 1948, both its subsequent actions and the *People's Daily* editorial of April 5, 1956 concerning the de-Stalinization issue, makes clear that Peiping respected Tito's right to challenge Stalin's special form of tyranny and the doctrinal strait-jacket implied in Stalin's "one road to Socialism."

One must not hastily conclude, however, that Peiping has taken upon itself to sabotage Soviet leadership in the orbit or to undermine the Soviet vision of a tyrannically-ruled and centrally-organized Communist world. Mao Tse-tung's relationship to Stalin was too complex and his own dependence upon Stalinism has been too great; Peiping's own pretensions to leadership in the Asian branch of the Soviet orbit too significant; and the Chinese Communist Party's belief in the political and economic necessity for the Moscow-Peiping Axis too persuasive to permit of conscious subversion of the Soviet position in Europe.

What appears to have occurred instead is that unwitting Chinese Communist influence had an effect upon Poland. Ochab, among other foreign Communist delegates, attended the Eighth Congress of the Chinese Communist Party in Peiping and on September 17 voiced his enthusiasm for the "creative" example of his Chinese comrades:

The PZPR/Polish United Workers (Communist) Party is following with great attention the creative work of the Communist Party of China and the bold decisions taken by your Central Committee on the immortal principles of Marxism-Leninism, with special allowance made for the characteristics of your vast country.

We are deeply convinced that the PZPR activities will also study the resolutions of your Congress which will sum up the gigantic achievements of the past period and which will lay down tasks of further Socialist construction.

Whether or not the Polish delegation spoke to the Chinese Communist leaders, it may be supposed that the picture presented at the Congress of Chinese Communist autonomy and innovation, coming as it did against the back-

1. A NCNA broadcast of November 6, 1956 reported that Peiping's two largest newspapers had editorially acclaimed Soviet repression of the Hungarian people's uprising as proof of Moscow's determination "to support the cause of socialism and peace." An editorial of the same day from the authoritative Communist newspaper *Ta Kung Pao* was also cited indicating that Moscow's aid "had enabled the Hungarian people to shatter the intrigues of the counterrevolutionaries to stage a comeback" and that "this was a glorious manifestation of proletarian internationalism and a great contribution to peace, democracy and the cause of socialism."

education"—not, it will be noted their re-education by the Party pedants with one-track-minds. No doubt it is useful for the industrialists and businessmen, "who made up the bourgeois class before," to see their strong and weak points realistically. Their strong points are their knowledge of their enterprises and their weak points are their inability to see how the Party, Youth League, and the State and Labour Union representatives can help rather than hinder them in working as well as they did before! The *Ta Kung Pao*, which more or less expresses the viewpoint of the former capitalists, stressed the value of the technical knowledge of the industrialists and businessmen and their experience in production and management, but urged them to "see their true role and position in national construction." If they dared, their retort would be to return their property and let them run their enterprises precisely as they did before. The trouble is that they are not true converts to Communism—and probably never will be!

ground of recent discussions of Titoism and polycentrism in European Communism, had a profound impact upon the growing ferment in the Polish Communist leadership.

If this supposition be correct, it is important to note the qualifications which both Chinese Communist and Soviet leaders attached to Peiping's "independent way" at the Eighth Party Congress sessions. Mao in his opening speech referred to the importance of Soviet "experience" and "assistance" to Communist China. Liu Shao-ch'i more explicitly spoke of the Socialist Camp "headed by" the Soviet Union; described the Chinese Revolution as "part of the revolutionary cause of the international proletariat;" praised the "strength and monolithic unity" of the socialist countries; and above all described the bloc as a geographic entity and a family of "fraternal nations" led by the USSR.

These acknowledgements were seconded by Mikoyan, who, even as he praised Mao's "creativity" and conceded Peiping's role as a "revolutionary center" in Asia, traced Chinese Communist innovations to Leninist sources and emphasized the benefits gained by Peiping from Soviet experience. The skilful balancing of Chinese Communist national party interests and Soviet leadership pretensions were fully exposed in Mikoyan's expression of appreciation to Peiping for its understanding treatment of the de-Stalinization question. Mikoyan declared:

We are particularly happy to learn that the measures of the CPSU Central Committee have met with full understanding and support of the great Communist Party of China. Those who shouted about "confusion" in the ranks of the Communist Parties have one more disappointment to live down. No one will ever succeed in shaking the unity and cohesion, ideological kinship, and proletarian solidarity of the Communists. (Stormy applause)

The international essence of our cause demands fraternal friendship and mutual understanding, ties, and contacts between all Marxist-Leninist parties. Contacts and ties between political parties which base their activities on the principles of Marxism-Leninism naturally must be closer. What is most valuable is the exchange of experience and the mutual assistance which can be rendered by workers' parties inspired by one great idea and marching toward one common goal.

The forms of ties and contacts between Marxist parties are not predetermined and are not immutable. They follow from the requirements of the Communist movement at each stage of development and struggle and are determined by the parties themselves in the interests of the victory of the common cause and naturally not to suit someone in particular. The nature and forms of ties and contacts between Marxist-Leninist parties can vary.

For example, one cannot deny the special significance of ties between Communist parties in power. The exchange of experience and developing cooperation between the Communist and workers' parties of the countries building Socialism makes it possible to use most efficiently that experience of all countries which has been tested by life and facilitates the elaboration of the best forms and methods of construction, taking into account the experience of the building of Socialism in the USSR, of building it in other countries, and the specific features of each country.

II. Peiping's Editorial of November 1, 1956

In this light, it is not surprising in the case of the recent developments in Poland and Hungary that Peiping, after a moment of silence, should seek to restore the lost equilibrium between national Communist goals—indeed rampant nationalism itself—and Soviet interests in Eastern Europe. The role of "great compromiser" in the orbit was most notable in Peiping's April 5 editorial, which attempted

to restore "balance" on the Stalin question. Because of Communist China's reported intervention in the Polish affair, it was especially important that Peiping right the balance once again.

In a statement of November 1 formally issued by the "government" of Communist China, Peiping strongly endorsed Moscow's admissions of error in its relations with the satellites. It emphasized that "socialist states" were under special obligations to observe the principles of mutuality and respect in their relations, principles which the USSR had "mistakenly" violated. Such "mistakes" had brought about the Tito incident in 1948 and were again evident in the Polish-Hungarian situation.²

Chinese Communist cadres themselves must beware of "great power chauvinism" into which Soviet Russia presumably has fallen and Communist China could readily fall, said Peiping.

While thus endorsing the demands of the "great mass" of people of Eastern Europe as "completely proper," Peiping fully backed the position that reactionary elements were using the present opportunity to conspire against the "people's democracies." Even distant China is affected by such conspiracies, which automatically deserve the attention of "many socialist countries." Hence an implied approval of the use of Soviet arms to oppose any moves to disturb the bloc.

Many things were left unsaid in the November 1 statement regarding Peiping's views of the Soviet bloc. However, it is clear that the Chinese Communists still strongly endorse a "primus inter pares" position for Moscow and still hold closely to the notion of the bloc as a geographic unit. Indeed, present moves to "democratize" in north Vietnam and to allow greater freedom for public dispute in Communist China itself suggests Peiping's concern that the bloc will not survive if "democratization" and improvements in living standards—at proper pace and under proper controls—fail to take place.

III. Factors Shaping Peiping's View of the European Satellite Crisis

It is to be noted that Peiping's position on Eastern Europe is determined by its terms of friendship with Moscow, by significant direct contacts with the Eastern European states, and by Communist China's own role in the Asian Communist orbit. In the very earliest phases of Peiping-Moscow formal contacts, Communist China was largely an unknown factor, one cut above the Eastern European satellites, but still largely untested in its positive loyalties to Moscow and in its negative resistance to Stalin. Nearly two years of testing were necessary before Moscow acknowledged the "People's Republic of China" to stand above the European "people's democracies" and Mao's works to have independent validity.

Peiping's demonstrations during this period, January 1949 to December 1950, were by no means one-sided.³ On the one hand, the Chinese Communists strongly affirmed their loyalty, prominently featuring Mao's promise to "lean to one side," and they subsequently carried out that promise in the Chinese Communist intervention in Korea. On the other hand, significant indications appeared that Communist China viewed itself as not obligated to render the usual gestures of subservience to Moscow, to wit, the acceptance of the formula of "one road to Socialism" or complete acknowledgement of the Soviet Red Army as a "force of liberation." Moreover, at the Trade Union Conference in

2. A subsequent correction deleted Hungary from the list of countries where "estrangement and misunderstandings" had occurred because of Soviet "mistakes," thus shifting blame to the Hungarians.

3. In December, 1950, the Kremlin finally acknowledged Mao Tse-tung as an independent theorist.

Peiping during November 1949 Chinese Communist leaders had spoken and acted as though China were a new "revolutionary center" in Asia.

During the Korean War, there began those Chinese Communist economic and cultural contacts with the Eastern European countries which were to impress these countries with Peiping's exceptional position in the Soviet orbit. The examples given below indicate a certain amount of free-wheeling in Eastern Europe at that time by hard-pressed Peiping. Concurrently, Communist China was moving to establish a "paternalistic"—or better, authoritative—position of its own in the Asian Communist countries of north Korea and north Vietnam. That it had never succeeded in obtaining more than a condominium of power in north Korea and predominant influence in north Vietnam (and Outer Mongolia) may have given a peculiar shape to Mao's views of Soviet power in Europe.

Nevertheless, Chinese Communist actions at moments of extreme threat to north Korea or North Vietnam make clear that Mao fully respects the principle on which Stalin established "friendly governments" on his western borders—namely, that for defensive reasons alone they must be under full Communist control and subject to Moscow's wishes.

A fuller treatment of the evidences of Peiping's views on the organization of the Soviet territorial system and on the relationship of the Communist parties is not possible in this paper. The following discussion therefore limits itself to the three main features of Peiping contacts and dealings with Eastern European satellites—(1) Communist China and Tito; (2) trade relationships; and (3) cultural and political exchanges.

A. Communist China and Tito

During World War II, the Chinese Communists at Yanan reportedly had radio contacts with Tito's partisans. While this embryonic relationship developed no special or further attributes prior to the Communist conquest of China, the analogies in Mao's and Tito's positions—their independent armies and their innovative and pragmatic approaches to the doctrine of tactics and strategy—were clearly evident.

To what extent did Mao's attack in October 1948 upon Tito and Titoists—"who do not like Marxism and who hate the Soviet Union"—represent an unequivocal and enduring view? The evidences are few, but it is probable that even as the Chinese Communist leaders found countries of the Soviet orbit—"at a time when these two camps are in close conflict" (the cold war)—they likewise rejected the full implications of contemporary Stalinism for themselves.

This conclusion derives not only from the editorial of April 5, 1956, which listed among Stalin's mistakes "certain erroneous lines in the World Communist movement, especially in the question of Yugoslavia." It was originally suggested by the reservations which Liu Shao-ch'i attached to his essay on "nationalism Versus Internationalism," which aligned the Chinese Communists firmly on the Soviet side in the cold war.

These reservations were as follows:

1. It was tactically permissible for the Chinese Communists under "colonial and semi-colonial" conditions to "cooperate" with "bourgeois nationalism" provided that such circumstances enabled them to convert their enemies to Communism.
2. Liu opposed "all national oppression. . . both the oppression of its own nation by any other nation and the oppression of other nations by its own nation" and defended the rights of these colonial

countries to be free and after liberation to take their rightful place as equals in a "free federation," (a point deleted from the Cominform-Soviet text and later Chinese Communist texts).

3. Liu equated nationalist patriotism and cultural instincts with "Proletarian Internationalism" as follows:

. . . love for one's own motherland, own people, own language and literature, and the finest traditions of one's own nation, handed down for thousands of years . . . True patriotism respects the equality of other nationalities and at the same time hopes for the realization of the finest ideals of mankind within its own country and advocates the warm unity of the people of all countries.

While Peiping thus took steps to fortify its own quiet resistance to extreme forms of Stalinist subservience, it is doubtful that it fully condoned Tito's dramatic gesture of openly defying Stalin. This and official embarrassment may explain why Communist China never seriously entertained Tito's wooing.

Its formal anti-Titoist position was confirmed on October 5, 1949 when Peiping, a newly-established political regime, eagerly accepted the recognition of Bulgaria, Poland, Czechoslovakia, Rumania and Hungary but rejected the offer of Yugoslavia. Despite this blunt affront, Yugoslavia, except for the period of the Korean War, consistently supported Peiping's policies. Tito's wooing of Mao, even in the face of repeated rebuffs, was persistent. It would be explained on grounds other than mere doctrinal affinity. There were striking similarities in their Communist party roles during and immediately after World War II. Moreover, since there was no common ground between Yugoslavia and the Chinese Nationalist Government on Taiwan, Belgrade's foreign policy, despite its estrangement from Moscow, lost nothing substantially during this period by continuing to adopt the latter's line (also followed by the Eastern European satellites) of demanding Nationalist China's ouster from the United Nations, its replacement by Peiping and the rendering of Taiwan to the Chinese Communists.

Following the deaths of Stalin and Beria, the development of the collective leadership principle in the Soviet Union, and Khrushchev and Bulganin's successful efforts to woo Tito back into the "Camp of Socialism," the establishment of diplomatic relations between Peiping and Belgrade became inevitable. On December 14, 1954, after five long years, Yugoslav official recognition was finally accepted and reciprocated by Peiping.

While the two parties are now on friendly terms, a friendship perhaps of great importance in precipitating the present crisis in Eastern Europe, there has never been a public reconciliation of their respective theories of "different roads to socialism." Peiping in its own policies hews far more closely to the Soviet example than does Belgrade and more staunchly supports Soviet leadership in the bloc. Moreover, Communist China appears to endorse a more Leninist view of the structure and "vanguard" functions of the Communist Party, though naturally urging a broad alliance of that party with all "anti-imperialist" elements in a given country.

B. Development of Peiping-Soviet Satellite Trade Relations

Since the very beginning of its existence as a separate political regime in October 1949, Communist China has enjoyed not only the political but also the economic support of the Eastern European satellites. Following political recognition, Peiping concluded one-year trade and barter agreements with the satellites along the general lines of the Sino-

Soviet agreement of April 19, 1950. Under the direct stimulus of Moscow, this intra-orbit commerce boomed following the intervention of Communist China into the Korean War on October 25, 1950. Satellites with advanced industrial economies, such as Poland, Hungary and Czechoslovakia, were especially involved.

Peiping's commerce with the Eastern European satellites in less than one year after the outbreak of the Korean War increased tremendously. Its exports to the satellites, according to Communist figures, increased from 3.87 percent in 1950 to 26.42 percent of its total exports in 1951; while its imports from the satellites for the same period leaped from 1.37 percent to 25.3 percent. This multi-lateral trade between the Communist states, as in the case of Peiping-Moscow trade, consisted primarily of the exchange of Chinese agricultural and accessory products for the finished industrial goods of the satellites.

During the Korean War, 1951-1953, the content and character of Peiping's trade with the satellites remained substantially unchanged. Trade was confined chiefly to the more industrialized satellites. Exclusive of the Soviet Union, which supplied Peiping with 10.94 percent of the latter's total imports in 1950 and 44.7 percent in 1951 and received 26.58 percent of the latter's total exports in 1950 and 51.5 percent in 1951, Peiping's economic transactions were made with Czechoslovakia, Poland, Hungary, and Eastern Germany. There was little trade with Bulgaria or Rumania, although some trade with these backward satellites had been encouraged in 1952.

Moscow recognized the vital necessity of holding the Soviet bloc together and preventing the defeat of Communist China at the hands of their common "capitalist enemies." It also held the constant fear that if Peiping were not promptly supplied it might drop out of the war and accept Western help. This compelled Moscow not only to give high priority to Peiping's requirements but also to concede to the latter's interests in the intra-orbit trade. Chinese Communist officials engaging in this trade fully recognized the favorable bargaining position which their regime enjoyed and did not hesitate to exploit this advantage in obtaining concessions frequently deemed by the satellites as "exorbitant." Peiping was even accorded the unusual trade prerogative, which Moscow did not permit its satellites, of establishing its own independent trade mission in Eastern Berlin which could conclude special contracts with all of the satellites outside of ordinary trade arrangements.

Since the end of the Korean War, Peiping's economic relations with the satellites have continued. Unlike Soviet aid to Communist China, it has generally not involved loans or joint stock enterprises. Technical and scientific assistance have been on the increase, but the bulk of the transactions, still consummated at a state level, are devoted to the exchange of Eastern European industrial equipment for Chinese Communist raw materials.

Moscow's role of broker in this Chinese Communist-Satellite trade is clearly evidenced. Its interest in promoting and expanding this intra-bloc trade is understandably paramount, for trade ties in inseparably with its plans for the Council for Economic Mutual Assistance (CEMA) for coordinating Soviet-bloc economic plans. Overall foreign trade between Peiping and the satellites has apparently increased from more than US\$700 million in 1954 to better than \$900 million in 1955. It is conducted with exchange rates and price quotations calculated in Soviet rubles, which are overvalued in terms of satellite currencies.

While there are as yet no direct references from the satellites regarding the disadvantages of Peiping-satellite trade, indirect evidence available suggests that none of the satellites have been particularly happy with Moscow's CEMA plans for coordinating the bloc's overall production or for

specialization of each member's national production in certain commodities and the exporting of surpluses to other bloc members. Dramatic emphasis has already been given to the shocking failure of a Moscow-dictated intra-orbit economy to raise the standards of living of the satellites. M. Gumulka, the newly-elected first Secretary of the Polish United Workers Communist Party, on October 20, 1956 informed his comrades that Moscow's ill-advised economic program for Poland had brought the latter to the verge of economic catastrophe.

There is increasing doubt that Peiping's trade in the main has worked out to the advantage of the satellites. While such Communist Chinese raw materials and foodstuffs entered directly into the economies of the satellites, it is known that a large part of Peiping's grain cargoes during the Korean War period were re-sold to non-Communist nations while still on the high seas in order to enable the satellites to obtain badly needed hard currencies for the purchase of strategic machinery and ores from the West.

Even though the various mechanisms developed since 1949 by CEMA continue to function in promoting intra-bloc trade and in coordinating Soviet-bloc economic plans, there is also grave suspicion that under Moscow's guidance the industrial assets of these satellites may have been partially drained off for the benefit of a backward Communist China which Moscow is attempting to industrialize. Peiping may receive ships and sugar refineries from Poland, railroad cars and electronics equipment from East Germany, big guns from Czechoslovakia, and agricultural machinery from Hungary. In exchange, Peiping ships raw materials and accessory products which are of usually no immediate benefit to the highly industrialized satellites, except as media for trade with non-Soviet orbit countries.

C. Development of Peiping-Soviet Satellite Cultural Relations

Once contacts between Peiping and the Soviet satellites were established, they flourished under the warm blessings of Moscow. Although somewhat restricted by the exigencies of the Korean War, these relations have expanded rapidly since 1953. By the end of last year, the satellites were exchanging delegations with Communist China on a comprehensive basis, covering such activities of mutual interest as cultural and the arts, sports, press and broadcasting, religion, economics and trade, science, education and public health, as well as organizational matters concerning workers, women, young people, social affairs and peace and friendship societies.

Exclusive of formal diplomatic missions, Communist China during the year of 1955 alone exchanged, presumably at a quasi-official delegation level, the following number of nationals with the Eastern European satellites:⁵

Chinese Communist Nationals to Satellite States		Satellite Nations to Communist China	
Poland	401	Poles	337
Czechoslovakia	356	Czechs	377
Hungary	187	Hungarians	57
German Democratic Republic Com- munist)	272	East Germans	145
Rumania	111	Rumanians	76
Bulgaria	127	Bulgarians	106
Albania	41	Albanians	150
Yugoslavia	123	Yugoslavs	75
Total	1,618		1,323

These intra-orbit visits went a long way to promoting friendly contacts between Peiping and the satellites. On

5. *People's China*, Peiping, March 1956, Number 6, pp. 16-17.

the part of the latter it fostered apparently a greater appreciation of the pronounced advantages which Peiping had gained by following its "unique" Chinese road toward Socialism.

As for the Chinese Communists, these exchanges were made the basis for large scale propaganda efforts by their leaders to sell the greatness of their regime to the satellites and to emphasize their community of Communist interests. Typical of such visits was the one made by Marshal Chu Te, the regime's Vice Chairman, to Hungary in January of this year, when he said:

There exists a profound friendship between the Chinese and Hungarian people. In the great family of nations in the camp of peace, democracy, and Socialism headed by the Soviet Union, the mutual help and cooperation between our two peoples in economic, cultural, scientific, and technical as well as international activities concerning both countries, will daily expand and develop in an all-round manner.

That the impact of these Chinese Communist delegations upon the satellites was deep is clearly shown by the general chorus of approbation delivered by the leaders of the satellite delegations at the Chinese Communist Eighth Party Congress in September 1956. The arrival of Communist China at the pinnacle as a co-leader of the World Communist movement second only to the Soviet Union was carefully acknowledged by Edward Ochab, the chief Polish delegate, as well as other satellite delegates to the Congress. It is interesting to note that the latter included Janos Kadar,⁶ who, as head of the Hungarian delegation to the Chinese Party Congress, was quoted by NCNA as having stated in his September 18 speech that:

"The Hungarian people are inspired by the tremendous achievements the Chinese people have made under the leadership of the Communist Party. The Hungarian Working People's Party values highly the useful experiences of the Chinese Communist Party in applying Marxism-Leninism and to concrete conditions in China."

APPENDIX

With some modification due to the actual histories of Russian and Chinese Communism, Chinese Communist views of the ultimate world order have been mainly shaped by Lenin's views of Communist federation under Soviet aegis

6. Janos Kadar was then described by NCNA as "a member of the Political Bureau and Secretary of the Central Committee of the Hungarian Working People's (Communist) Party." He was later installed as Premier of the Communist regime re-established by the Soviet troops who entered Hungary to stamp out the anti-Communist, anti-Soviet revolt in early November 1956.

which were presented to the Second Comintern Congress in 1920.

The political situation of the world at the present time has placed the question of the dictatorship of the proletariat in the foreground, and all the events of world politics are inevitably concentrating around one point, namely, the struggle of the bourgeois world against the Russian Soviet Republic, which is grouping around itself the Soviet movements of the vanguard of the workers of all countries, and all national liberation movements of the colonial and subject countries, which have been taught by bitter experience that there can be no salvation for them outside of a union with the revolutionary proletariat, and the triumph of the Soviet power over Imperialism.

Consequently, we must not content ourselves with a mere recognition or declaration concerning the unity of the workers of different nations, but we must carry out a policy of realizing the closest union between all national and colonial liberation movements and Soviet Russia, determining the forms of this union in accordance with the stage of development of the Communist movement among the proletariat of each country, or the revolutionary liberation movement in the subject nations and backward countries.

Federation is a transitional form toward the complete union of the workers of all countries. It has already proved its efficiency in practice in the relations of the Socialist Federated Soviet Republic of Russia to the other Soviet Republic of Russia (Hungarian, Finnish, Lettish, in the past; and the Azerbeidjan and Ukrainian in the present), as also within the borders of the Socialist Federal Soviet Republic of Russia with regard to the nationalities which had neither their own government nor any self governing institutions (for example, the autonomous Republic of Bashkiria and the Tartar Republic, which were formed in 1919-1920 by the Russian Socialist Federated Republic).

It is the task of the Communist International in this regard not only to develop further, but also to study and test by experience, these federations which have arisen out of the Soviet order and the Soviet movement. Recognizing federation as a transition form towards complete union, we must strive for ever closer federative connections bearing in mind first, the impossibility of maintaining the Soviet Republic surrounded by powerful imperialist nations, without a close union with other Soviet Republics; second, the necessity of a close economic union of the Soviet Republics, without which the restoration of the forces of production destroyed by Imperialism, and the assuring of the welfare of the workers is impossible; third, the striving towards the creation of a unified world economy based on one general plan and regulated by the proletariat of all the nations of the world.⁷

7. These and Statutes of the Third (Communist) International, Adopted by the Second Congress July 17th-August 7th, 1920.

PROBLEMS AND PROSPECTS IN JAPAN

Population Problem

The Japanese population has now passed the 90,000,000 mark and it is believed likely that by 1970 the population of these four small islands will have exceeded 100,000,000. Nevertheless, the fact that the rapid growth of the population that occurred immediately after World War II has not been maintained has somewhat eased fears for the immediate future. Japan's birth rate has dropped faster than that of any other nation in recent years. The rate has dropped 43 per cent in eight years—from 34.3 births per thousand of population in 1947 to 19.4 in 1955. This is

probably the first time that any Asian birth rate has fallen below 20 per thousand. On the other hand, Japan's advance in modern medicine, and in health and sanitary practices, has resulted in a diminution of the death rate which has largely offset the smaller number of births. Despite the dissemination of birth control information and the abolition of restrictions on the practice of abortion, Japan's population problem is consequently likely to be a continuing one.

When births remain high and deaths decline, there must be more people alive to be fed and housed. Greater industrialization, and especially the application of atomic energy

to industrial uses, may make it possible to support a larger number of people than it does at present, but, of course, there must be limits to this development. Consequently, the consideration arises how to deal with the growth of surplus population. One way is by emigration. A number of foreign countries are willing to take Japanese immigrants and some, notably Brazil, have already a considerable Japanese colony. Nevertheless, the number of Japanese people who have permanently settled overseas cannot be called great. Japanese emigrants have been well received in the various countries to which they have gone. Their patience and courage under difficulties and their capability for sustained labor have earned them a good reputation. It is unfortunate that countries to which Japanese emigrants can easily go are distant ones.

With the exception of Cambodia, there are no Asian countries prepared to take numbers of Japanese people. A further disadvantage is that Japanese emigrants must perforce proceed to countries where the language and customs are strange although the founding of linguistic schools in Japan for would-be emigrants to various places has proved a useful measure. Adequate immigration schemes are expensive and demand a good deal of organization and hard work for it is not possible just to drop people down on another shore and leave them to their own resources. Few countries, nowadays, will accept immigrants who are not supplied with money and a certainty of finding employment. The result is that the number of people who can be sent to any one place at any one time is strictly limited.

Plans for a redistribution of population within Japan have not made much headway. They have only been tried on a small scale. As most rural areas, outside Hokkaido, already carry their maximum population there is a constant movement into the towns. Tokyo's population is growing at a rate of 300,000 a year and the metropolis is increasingly coming to be regarded as the desirable Mecca for surplus youth from all over the country. It is a moot point as to how far this movement to the towns can be reduced to more reasonable limits. More intensive farming and the cutting into mountainous areas so as to secure more arable land can go some way to improving agricultural conditions but the growth of the rural population has so far stubbornly counterbalanced efforts to add to farm acreage and production possibilities. The reclamation of waste lands and areas from the sea can help to some degree but the expense involved here is great compared with the number of people for whom land can be made available.

The more we consider the over-all questions involved in this problem, the more we are forced to realize its magnitude. It would seem that some international scheme should be prepared, possibly under the auspices of the United Nations, that would help Japan, and some other countries more or less similarly situated, to place their surplus populations in areas where their industry would be of general benefit.

The Rightists

In the weeks before Prime Minister Hatoyama's departure for Moscow, there were disquieting reports that rightist elements would resort to violence in order to halt the moves of the Government to restore relations with the Soviet Union. The rightists were converging upon Tokyo with the purpose of doing bodily harm to Mr. Hatoyama and his close colleagues. As a result the police were on the alert to guard against a possible uprising. Nothing out of the ordinary occurred and the Prime Minister and his party left for the Soviet capital safely. But the fact remains that the rightists still remain a disgruntled minority which may launch one of these days a frenzied attack.

The rightists do not have a large following among the people. The elements representing the extreme right are usually regarded as crackpots who have been left behind in the postwar progress toward a democratic society in which there is no place for violence and terrorism. There are more than 600 rightist organizations, of which 30 are extremely dangerous because of their belief in force as a legitimate means to an end. They would thus express their opposition by any means at hand. They have already expressed their opposition to any peace which might be dictated by the Russians and to the cession of any part of the islands which were held by Japan before the war.

The right-wing movement in Japan came to the fore on the wave of national reaction against the unequal treaties of Ansei (1854-57). Since then, it has been closely associated with the growth of nationalism. Genyosha, for instance, was founded in 1877 with the aim of furthering Japan's continental policies. The infamous Kokuryukai, one of the most powerful right-wing organizations to appear, was founded with the upsurge of national feeling against the invasion of Russia into Manchuria after the Sino-Japanese War of 1894-95. Since their central concern is the extension of national ambitions, it is no wonder that their activities become intensified and are brought into the limelight whenever territorial questions concerning Japan arise. The danger is that the rightists taking up a popular cause—for the people are naturally attached to their land—may be able to win converts to their cause. The same can be said with the extreme leftists who make it a practice to leap upon a cause which they believe is popular for the purpose of spreading their influence. While the extremists of both the left and the right represent only a minute portion of the population, they do constitute a potential danger far beyond their present strength. The totalitarian concepts represented by these elements—in their intolerance of opposition and their willingness to use any means to gain an end—are repugnant to the sound progress of democratic processes.

The recent rise in the rightist activities is not accidental. Unless the Government demonstrates its ability to bring political stability and real leadership to the people, the extremists will continue to win new adherents. There are some politicians who are financing and utilizing the rightists and other extremists for their own selfish purposes. They can be used to apply threat and coercion to promote the aims of unscrupulous politicians. It is only when people feel disillusioned with democratic processes that extremists come to the fore. The rightists and leftists cannot present a threat to democracy as long as democratic leaders act wisely and in the best interests of the nation.

The Communists

While the majority of the Japanese have no reason to oppose the normalization of Soviet-Japanese relations, they hope that leaders have sufficiently prepared the ground for proper counter-measures to meet the possibility of intensified Communist activities against the democratic form of government. Concern is felt that Japan may swing far to the left, should relations with Russia be fully restored. There is no intention to cry "Wolf!" The good sense of the Japanese people will prevail in the end to defeat any actions against the present form of government. But by the same token, there should be no objections to preparedness. And it would be well to recall how the present satellite nations of East Europe were bereft of their freedom and democracy by a small minority. The majority of the people in those

nations stood by helplessly while the democratic leaders were forced out of office by one means or another.

The current situation in Japan with regard to the activities of the extreme left is far from reassuring. Many of the so-called intellectuals have displayed pro-Communist tendencies while the Communists have made considerable headway in their efforts to break through the barriers setting them off from other left-wing groups. The actual number of card-bearing members in the Japan Communist Party is comparatively small. Estimates have placed its membership at 125,000—which is approximately half of the members it was believed to possess in the 1948-49 period. But it must not be forgotten that the Communist Party has strong ties with such organizations as the Japan Teachers' Union which boasts 500,000 members. At the same time, it is estimated to have about one million sympathizers. Recently, the Communists won a major victory when the General Council of Japan Trade Unions (Sohyo), which controls three million workers, at its last national convention wiped off from its policy a clause forbidding Sohyo unions from taking joint actions with the JPC. This may be interpreted as a definite swing further to the left by this large labor group. And there is danger in this, although Sohyo leaders may believe themselves strong enough to prevent Communist infiltration into positions of influence. Because of the close relationship between Sohyo and the Socialist Party, it may be assumed, moreover, that the Socialists will find themselves under considerable pressure to abandon their position of standing apart from the Communists. One need not be an alarmist to note that the Communists are laying the foundations for their activities once the Soviet diplomatic office in Tokyo is given official recognition. And to that end they are trying to abet their as yet meager strength by seeking the support of elements opposed to the Government in power.

As the Communists prepare themselves for the new situation which will arise with the restoration of Japanese-Soviet relations, what are the Liberal-Democrats doing? They have apparently given little, if any, thought to the future and to the policies that must be hammered out—since they are so enmeshed in their petty ambitions and political schemes to gain party hegemony. The conservative factions pressing for the restoration of relations with the Soviets are confident and speak lightly of the possible dangers from Communist sources in the period following the normalization of relations with the Russians. Other conservatives, however, are fearful of an intensified Communist campaign to discredit the Government and to "neutralize" the country in favor of the Soviets.

Defense

Japan's defense build-up program emphasises the role of the air arm and guided missiles in safeguarding the country in the future from any aggression. The weapons used by the Self-Defense Force are expected to undergo progressive development in the next three or four years. Japan is already manufacturing under license F-86F jet fighters and T-33A jet trainers and the day is not distant when she can produce F-86D all-weather interceptors with their secret apparatus. Even more important is the fact that she has under contemplation an ambitious five-year plan for technical research on weapons of modern warfare, to run parallel with the six-year defense build-up program starting in the fiscal year 1955. Stress is to be placed on the improvement of such anti-aircraft weapons as rockets, guided missiles, fighters and interceptors as well as appropriate counter-measures against possible chemical, bacteriological and radiation warfare. Japan is looking forward to

American assistance under the mutual weapons development program, which provides for U.S. financial and technical aid as well as the supply of materials and machinery for the study and trial manufacture of new weapons by MSA recipient nations.

A list of some 12 new weapons, including special light turbines for submarines, torpedoes guided by sound waves or electric waves, 88-mm. rockets for jet fighters and anti-aircraft guided missiles, has been submitted to the United States as being necessary for the proper equipment of the defense forces of Japan which are now steadily growing.

There is one serious difficulty—the lack of adequate measures to protect military secrets. Various guided missiles are considered top military secrets in the United States and the Americans can hardly be expected to assist Japan in conducting research on such weapons by giving advice, information and technical aid unless there is sure safeguard against the leakage of secrets. Japan has two provisions for protecting secrets—the Special Criminal Code and the Secrets Protection Law. But these are concerned only with the military secrets of the United States armed forces stationed in Japan under the Security Treaty, and not with Japan's own secrets. There is an urgent necessity for measures to protect the secrets of the State for without such measures it is hopeless to secure information or advice from abroad vital to Japan's security. The Defense Agency drafted a new law to meet the needs of the case. Opposition may be expected from various quarters but due reflection points to the urgency of Japan of tomorrow will again be a military force to be relied on by her friends.

Standard of Living

Is the Japanese economy and living standard overrated when judged by their outward appearances? The phenomenal economic improvement achieved during the past few years makes this inquiry pertinent. One legitimate and acceptable method to answer this query is through a study of national income statistics, some of which are revealing. On the one hand they tend to deflate some of the ego but on the other, they incite further efforts toward more progress.

In the postwar period, nominal national income bounced from ¥3,300,000 million in 1950 to ¥6,000,000 million in 1954. From there on, however, the rate has slowed down (¥6,500,000 million for 1955) with prices more or less stable. This 1955 nominal national income if deflated to the prewar price level (1934-1936 average price index; composite price index used including wholesale and consumer price indexes) shrinks to about ¥21,000 million, compared with the prewar national income of about ¥14,000 million. Hence, the real national income for 1955 was only about 40 per cent above prewar. But around 1951, the level was below prewar. Moreover, the national income level in 1955 must be considered in the light of the big population rise. In 1935 the population was 68 millions but in 1955 it shot upward to 89 millions, about a 30 per cent rise. This dilutes greatly the 40 per cent rise in national income for 1955 over the prewar figure.

Real national income divided by the total population, which gives the per capita national income, was ¥210 for prewar as against ¥238 in 1955, thus revealing a very small rise. Another significant factor is the rate (percentage) of consumption expenditures in gross national expenditure. The surprising fact is that Engel's formula—as income rises, food expenditure percentage dips—but the percentage covered by food expenses in Japanese incomes today is still very high in relation to other expenses as clothing, light

and fuel, housing, etc. This is an indication that living is still not as easy as one is inclined to believe.

	Prewar 1934-36 (%)	1955 (%)
Food	40.0	54.6
Clothing	10.1	9.4
Light & fuel	4.7	3.7
Housing	11.2	7.9
Miscellaneous	34.0	24.4

Hence, judged from Engel's formula, Japanese standards are still below prewar.

Comparison of national income distribution in prewar (1934-1936) and in 1955 is also revealing. Whereas in postwar the percentages covered by wages and salaries and proprietors' income are larger than for prewar, the reverse is true for rental income and interest income. There also exists a wide variance in wage and salary income with the great majority of the people on a bare subsistence level. When the pitiful housing condition is taken into account, the situation is further depressing.

Also revealing are comparisons of national income statistics for Japan and oversea countries.

1. Proprietors' income covered in national income by distributive shares is much bigger for Japan than for the U.S. or England (40 per cent as against 10-12 per cent). On the other hand, compensation of employees is much less for Japan (48 as against 70 per cent). This means that Japan has a bigger proportion of small businesses including factories and farms. For instance in 1948, shops hiring five or less people covered 54 per cent of the nation's total factories and employed 10 per cent of industrial workers.

2. One way to compare the standard of living is to compare the per capita national income. According to a 1954 survey, Japan ranked 30th in per capita income computed in dollars. Japan ranked above the Southeast Asian nations, but was below Italy, Brazil, West Germany, France and England. In other words, Japan's living standard is much below the advanced Western nations but above its Southeast Asian neighbors.

3. Compared with world standards, Japan still retains much of the characteristics of an Asian economy such as the high place of agriculture in the industrial structure, underdeveloped resources, low productivity and excess of population in relation to resources. This means that Japan has still a long way to go to become a modern industrialized nation.

4. Japan as a member of the Asian community must also share the fact that Asia with 53 per cent of the total world population has a national income total of only 10.5 per cent (Europe 16.6 and 27.3 per cent; North America 9 and 43.6 per cent; South America 4.5 and 3.5 per cent).

Progressive Drug Industry

Japan's pharmaceutical industry has staged an astounding recovery in the last decade from the catastrophic war devastation, which wiped out the bulk of its production facilities. The speedy reconstruction of facilities, coupled with the importation of new techniques and equipment from Western nations, has rendered it possible not only to improve the prewar pharmaceuticals but also to produce new drugs and chemicals, such as penicillin, streptomycin, PAS, sulfa drugs, various vaccines and plasma. The output of pharmaceutical items has thus followed a steady upward curve through the adoption of mass production systems.

Meanwhile, technological tie-ups with Western nations has been vigorously pushed for the domestic production of patented foreign drugs. At the same time, a number of medicines, invented by Japanese scientists, have been put into production stage one after another.

At present, domestic medicinal needs are amply met. Furthermore, with the steady reduction in production cost, Japan's pharmaceutical industry is now able to meet a large export demand. Efforts are being made to turn out pharmaceuticals of constant quality through the system of independent examination and quality control. Meanwhile, since the revision of the Pharmaceutical Law in 1948, the Government has tightened surveillance over the production of drugs. Some 1,500 inspectors, assigned to the Welfare Ministry and local administrative agencies, are always making rounds of pharmaceutical manufacturers and dealers to guard against unlawful and inferior drugs. A national examination system is in force regarding those pharmaceuticals, which require special care in maintaining quality and purity.

The Government has also stipulated a set of standards for pharmaceutical production on the basis of the Pharmaceutical Law, such as the Japanese Pharmacopoeia, the Collection of People's Medical Supplies, Production Standards for Antibiotics and Biological Standards for Drug Production. As for pharmaceuticals for export, care is taken to preserve high quality in accordance with the Export Goods Control Law.

At present, about 3,000 factories are annually turning out some ¥87,000 million worth of pharmaceuticals, which consist of 18,000 varieties. A few of the main items produced last year included penicillin totaling 53,940,100 million units as against the production capacity of 84,000,000 million units, while 36,843 kg. of streptomycin and dihydrostreptomycin were turned out last year as against the production capacity of 60,000 kg. In the same period, the output of DDT amounted to 654,980 kg. as against the production capacity of 2,400,000 kg. Among the unique drugs turned out are Sarkomycin (for cancer), Nitromin (for cancer and leukemia) and Leukomycin.

Formerly, Japan had to import a number of pharmaceuticals which were difficult to produce here. However, the domestic manufacture of these items has gradually become possible with the marked progress in production techniques and technical tieup with foreign firms. As a result, the import of pharmaceutical goods has been replaced for the most part by that of materials for their production.

Last year, pharmaceutical exports totaled about ¥3,200 million or about four per cent of the total production in terms of value. Main export items are Vitamins B1, B2, B6 and C, folic acid, penicillin, streptomycin, herb medicines and home drugs. A recent notable trend is increased exports to the U.S. and Europe.

Export and Import (Unit: ¥1,000)			
	(A)	(B)	(C)
1950	512,753	1.6 per cent	597,807
1953	2,164,985	2.85	4,109,035
1955	3,236,760	3.61	3,521,967

Note: (A) Exports; (B) Ratio of Exports to Value of Total Output; (C) Imports.

As shown in the above table, a balance has recently been reached between exports and imports. The hope is held that the achievements of Japan's pharmaceutical industry will be of assistance to other nations of the world.

FINANCIAL CONDITIONS IN JAPAN

Tokyo is not only the political and cultural center but also the financial hub of Japan. Tokyo accounts for about half the volume of commercial transactions, while Osaka lags far behind in this respect. The banking institutions of Japan can be classified into two long-term credit banks, 13 city banks, 65 provincial banks, 6 credit banks, and 71 mutual banks. Of these banks, the two long-term credit banks, the Japan Industrial Bank and the Japan Long-term Credit Bank, and seven of the 13 city banks have their head offices in Tokyo. These seven banks are the Fuji, Mitsubishi, Daiichi, Mitsui, Japan Kangyo, Kyowa and Tokyo banks. Only three of the city banks have their head offices in Osaka, that is, the Sanwa, Sumitomo and Daiwa banks. There is one city bank each in Nagoya, Kobe and Sapporo.

The financial activities of these banking institutions are as follow: The national total of the balance of deposits stood at ¥3,904,581,000,000 as at the end of July 1956. Of this amount, ¥1,191,338,000,000 was accounted for by Tokyo as against ¥593,266,000,000 for Osaka. A survey of cash balance, including checks, reveals that of the national total, which stood at ¥569,558,000,000 as of the end of July 1956, the banks in Tokyo had ¥259,187,000,000 as against Osaka's ¥124,115,000,000.

These figures show that nearly half of the national total volume of commercial transactions is conducted in Tokyo. The following figures also show the comparative importance of Tokyo in finance. Of the national total of loans as of the end of July which amounted to ¥3,479,502,000, loans made by banks in Tokyo reached ¥1,290,184,000,000. The above figures show that Tokyo took one-third of the national totals of both bank deposits and loans. In bill clearances, out of the national total number of 12,413,000 bills cleared in July 5,080,000 bills were cleared in Tokyo, amounting to ¥1,493,432,000,000, which approximately accounts for half of the national total of ¥3,232,543,000,000.

Last year's bumper crop of rice and expansion of foreign trade resulted in a measurable increase in bank deposits, and the total amount of deposits with banks throughout the country increased by ¥620,900,000,000 in the last fiscal year. Surplus funds made available to the banks went for the repayment of loans from the Bank of Japan. As a result, the balance of loans by the Bank of Japan was reduced from ¥417,200,000,000 in March, 1954 to ¥27,300,000,000 in March 1956. It decreased by ¥224,800,000,000 in fiscal 1956 alone. In this way, the so-called "overloan" situation was eased to a great extent, and a foundation was laid for a sound financing policy. As loans by the Bank of Japan to city banks decreased, funds were easily available in the money market, with the result that the interest rate tended lower. The interest rate began to decline sharply in the summer of 1955. Thus, the bank loan interest rate was lowered from 2.4 sen per diem for ¥100 to 2.3 sen in July, 1955. In terms of annual interest rate, this meant a fall from 8.76 per cent to 8.39 per cent. Later, the interest rate continued to fall until it is now 2.1 sen per diem for ¥100, or 7.66 per cent, annually.

This decrease in Bank of Japan loans to city banks and large amounts of funds in the hands of city banks had the effect of reducing the interest rate and consequently gave a stimulus to industrial development. However, if the ample funds in city banks are spent for undesirable, unhealthy purposes, the money market will inevitably be disturbed.

A currency control measure that may be suggested as a means of controlling the money market in place of the former policy of adjusting it through control of loans, is a selling operation by the Bank of Japan, that is, a financial manipulation intended to absorb funds by selling securities in the hands of the Bank of Japan to city banks. However, this formula was abolished in May this year, and a new policy was adopted to absorb surplus funds in the hands of city banks by selling government short-term securities to them. The Bank of Japan was only required to purchase the part of government securities that were not taken by city banks.

In the 10 postwar years, a tight money situation continued to grip Japan's economy. In 1950 and 1951, when tremendous amounts of funds were needed to restore war-torn equipment, Japanese enterprises suffered from sheer lack of capital accumulation. What little capital they had was urgently demanded for equipment and inventory investment, with the result that they were forced to loan from the Bank of Japan for working capital. This caused the so-called "overloan" situation. However, the economic situation presented a new picture last year, with Japan's economy experiencing an easy money market for the first time in postwar years. Despite increased investments, enterprises were able to do without bank loans because of increased profits and internal accumulation. As the financial situation of larger enterprises improved, bank loans came to be made to medium and small enterprises. By medium and small enterprises are meant those capitalized at less than ¥10,000,000. In 1955, 60 per cent of the total amount of bank loans went to medium and small enterprises. Under these circumstances, some city bank designed special branches to do business with medium and small enterprises to cope with the situation.

An overwhelmingly larger proportion of enterprises in Tokyo are medium and small enterprises, which had suffered from the heavy burden of loans from money-lenders in the period of the tight money situation. Therefore, increased loans to medium and small enterprises brightened Japan's economic prospects for the future. It is feared that increase in exports might give rise to a factor causing a tight money situation in the future.

Japan's foreign trade continues to maintain high levels. Japan's exports exceeded imports from May to September, but the balance of trade was unfavorable to Japan in September. Some take the optimistic view that this increase of imports, caused by expanded imports of iron ore, machinery, and other raw materials, would constitute a favorable factor in the further development of industries. Those taking a pessimistic view of the situation are afraid that this increase in imports may cause temporary deflation.

Japan's economy is now above the prewar levels attained in 1934-1936, in national income, production of the mining and manufacturing industries, agricultural production, consumption levels and in all the other spheres of national economy excepting foreign trade. This comparatively slow rate of recovery of Japan's foreign trade is mainly due to the fact that her trade relations with Korea, Taiwan, China, and other neighboring countries are not yet normalized. However, Japan finally succeeded in gaining economic independence last year for the first time in postwar years and was able to stand on its own feet without the support of procurement demand.

ECONOMIC LETTER FROM TOKYO

Suez Affair and the Japanese Economy: The October lull in price rises (following the easing of price advances on producer goods during July-Sept.) was cut short and prices began to react upward or firmed in general covering textiles, steel, electrolytic copper, tin, rubber, petroleum and ocean freight, and the stock market boomed from Oct.-end to early November—all as an aftermath of the Suez conflict. However, this bullish sentiment was short-lived as the outlook for early settlement became more certain and an overall corrective tone set in led by the reactionary dip in textiles, and the price trend recovered steadiness although firm. Still, there are several precautionary trends such as the continually firm tone on steel reflecting the outlook that the emergency import of steel materials for alleviation of domestic demand will be delayed owing to shortage of ship bottoms, and the price rise on petroleum and certain other items reflecting the kick-back on home prices from higher freight rates.

As regards possible Suez effects on foreign trade the consensus of opinion in the business community is one of caution and watchful waiting of developments, with individual views varying widely including; those who are hopeful of favorable exports to Asian markets east of Suez, those who fear that import of certain raw materials will

be disturbed and those who hold the view that Japan's exports would be hurt if stable development of world markets is disrupted as a result of the conflict.

Foreign Exchange Balance: The balance for October showed a surplus of \$25 million (\$18m.-surplus for prev. mo.) mostly reflecting improvement in the trade balance. However, when the rise in deferred payments such as the sizable increase in usance application on settlement of raw material imports is subtracted, the actual balance was a \$13 million-surplus (\$15m.-surplus for prev. mo.). Consequently, the foreign exchange balance since the beginning of the current fiscal year (Apr.-Oct.) was a surplus of \$157 million (actual surplus of \$31m.). Compared with the same period of the previous fiscal year, this year resulted in a big dip in the surplus amount (cor. pd. of prev. yr. \$302m.-surplus; actual \$219m.) from the swelling of import-rise payments despite the fact that both receipts and payments had expanded.

The dollar balance was quite favorable (\$279m.-surplus; actual \$209), but the sterling balance suffered a big setback (\$106 m. deficit; actual \$162m.-deficit) as a result of increased imports from the sterling area. The open account also revealed a deficit (\$15m.; actual \$16m.).

CHINA'S STATISTICS

A solid tradition in regard to statistical work was set by the Customs Administration in pre-war China, though it was generally speaking wholly foreign to previous Chinese experience. It has been developed and expanded on a large scale since the first five year plan began and is now more reliable than it was a couple of years ago when false returns and doctored figures caused an outcry and widespread lack of faith. Since the "high tide" of Socialist transformation began statistical work has had to be reviewed in keeping with the new situation, and emphasis was laid in this, as in all other matters, on "quantity, speed, equality and economy," though it is hardly the right formula for statistical work. The immediate concern is not so much with the accuracy or reliability of the work but the necessity to meet the needs of the rapid development of transformation and construction. People are criticising the statisticians for their excessive number of tables, their confused state, their complicated contents.

It is to the statisticians rather than the glib politicians that the seeker after economic truth must go to for data on progress in production. The Director of the State Statistical Bureau (Hsueh Mu-chiao) revealed that of the 694 key-point industrial construction projects under the first five year plan, 253 have either fully or partly entered into production work during the first three years of the five year period. The extent of the productive power of the State may be seen from the following figures which the Director cites: steel, 813,000 tons; coal, 26,200,000 tons; electric power, 954,000 kilowatts; textile machines, 1,050,000 spindles; sugar, 245,000 tons; new railway lines over 2,600 kilometres; new highways over 11,000 kilometres. Yet the Director admits that the results attained in capital construction during the first three years leave much to be de-

sired. The appropriations during that period were never fully used, and a balance of some 2,000 million yuan was not utilised. In 1955 a loss of over 24 million work-days was estimated from absenteeism, delays in progress of work or on account of office and other workers stopping work. Even so labour productivity went up by 9% in 1955 over 1954. At the same time the quantity of surplus materials which had been allowed to lie idle in capital construction units included 220,000 tons of steel, structural materials, 900,000 cubic metres of timber and over 100,000 tons of cement, though many construction units were suffering a shortage.

The statistical reports, thanks to guidance from Soviet experts, now comprehend all the principal and important items in capital construction work such as amount of investment, engineering items, new fixed assets and productive power, labour productivity, production cost and so forth. But there are still serious defects. Data collected in the capital construction field cannot satisfy actual needs. Many reports were not submitted in time or contained many errors, and it was clear that co-operation to improve the quality of the work was greatly needed from all levels. The bottom-grade elements and business departments are all urged to take to heart the time element. Some also complain that the statistical reports as finally tabulated are not detailed enough. It is found that the condition of fulfilment of the investment quota as indicated in the statistical materials does not check at times with the actual condition of the progress of capital construction.

It has been suggested that the indication of the progress of engineering work in terms of monetary worth might not be sufficiently illustrative and that therefore this should be replaced by figures showing the actual quantities

of supplies or commodities consumed. There are good reasons in support of this but capital construction appears to be more complicated in nature than industrial production. Measurement in kind to be adopted in this connection may bring many difficulties. At present the valuation of capital construction done each year is based on the existing price level. With the production cost in building construction going gradually downward every year, the same amount of funds this year naturally can do a much larger volume of work than last year. Hence the speed of increase calculated on the basis of the yearly amounts of investment spent does not accurately depict the actual speed of increase in the volume of work done. There is also the question as to whether or not there should be included in the computation of capital construction work done such items as uncompleted projects and projects which, though completed, have not yet gone through the final checking or been taken over formally by responsible quarters.

Finally, there are still no unified standards for calculation and computation purposes in regard to capital construction projects. Lacking such uniform standards, the results from statistics and from accounting oftentimes are not on a comparable basis. Obviously such a state of affairs must be corrected. As it is, different organs have been accustomed to different methods of handling such problems as to when projects are considered to have started operations or engaged in production work, or how the different projects can be considered to have formally gone through the process of final checking and takeover.

Higher level statisticians are very much concerned about the methods of computation in rural statistics, and the Bureau of State Statistics has sent to the provincial and municipal levels plans for computing the average annual yield of grain per mow, to be used as a practical basis for the work. Ordinarily the per unit yield of grain crop is computed on the basis of the sowing area. This method is intended to check up the way the targets of total output and targets of per unit yield are fulfilled, and to reflect the quality of agricultural work, the technical level of production and the results of introducing advanced production-increase measures. But computation of per unit

yield merely on the basis of the sowing area does not suffice, because, while the total output of grain is markedly increased with the enlargement of the area of multiple crops, the per unit yield computed on the basis of sowing area frequently shows a decrease instead of an increase. For instance, by changing the single cropping into double cropping, output of the single crop of rice per mow is generally higher than any of the double rice crops. Thus, the per unit yield computed on the basis of sowing area cannot correctly reflect the results of enlarging the area of multiple crops. The National Programme for the Development of Agriculture sets the targets of average grain output per mow to be reached in 12 years in different regions. To check up the way the tasks laid down in the programme were carried out, a number of organizational units have studied and worked out many methods of computing the average grain output per mow. These methods are generally to work out the average annual output per mow by dividing the gross amount of grain output per mow under grain crops. But the method of computing the amount of land under grain crops is viewed in different lights in different regions.

The statisticians discuss four different formulae in this respect and urge that the method of computing the average annual output of grain per mow must conform to the following principles: First, the results of computation can basically and correctly reflect the actual situation; second, the method must be simple and can be conveniently applied without the necessity of obtaining detailed statistical data. Finally, it can be applied to more extensive areas, that is, not only provinces and administrative districts but also county and chu areas.

The fourth formula is the one recommended. It is primarily based on the assumption that the multiple crop index of grain crops is the same as that of other crops. The sowing area of green manure crops is deducted from the total sowing area. Its defect is that the multiple crop index is not entirely the same for grain crops, industrial and other crops and that the figures obtained may be more or less different from the actual situation. But the method is simple and can be applied to extensive areas.

THAILAND'S FOREIGN TRADE DURING FIRST HALF OF 1956

By V. Nivatvongs

During the first half of 1956 Thailand exported a total value of 3,376 million baht of goods and imported a total value of 3,834 million baht as compared with 3,579 million baht of exports and 3,393 million baht of imports in the corresponding period last year. It is interesting to note that during the first half of 1956 Thailand had an unfavorable balance of trade of 457.7 million baht whereas in the corresponding period last year Thailand had a favorable balance of trade of 185.4 million baht. However, this situation should not be viewed as being too grave of a nature. For the increase of imports in the first half of this year was a natural consequence of the relaxation of the import controls at the end of last year, while the decrease of exports was due to the reduction of the quantity of rice exported during this period. The monthly balances of trade for the first half of 1955 and 1956 are given below.

	Year 1955		
	Exports (million baht)	Imports (million baht)	Balance
January	358.0	527.9	-169.9
February	622.0	501.8	+120.2
March	776.0	604.8	+171.2
April	581.0	567.3	+13.6
May	579.9	532.1	+47.8
June	661.0	659.2	+1.7
Total	3,578.9	3,393.1	+185.4

	Year 1956		
	Exports (million baht)	Imports (million baht)	Balance
January	553.4	745.6	-192.2
February	601.1	590.8	+10.3
March	562.6	635.4	-72.8
April	501.7	614.2	-112.5
May	590.3	616.7	-26.4
June	566.9	650.9	-84.0
Total	3,376.0	3,833.7	-457.7

The major items of exports of Thailand consist of rice, rubber, tin and teak. The exports of these items except rice during the first half of 1956 had increased over those in the corresponding period last year. The monthly values of exports of rice, rubber, tin and teak for the first half of 1955 and 1956 are given below as follows:

	Rice		Rubber	
	1955 (million baht)	1956 (million baht)	1955 (million baht)	1956 (million baht)
January	134.5	214.9	81.9	128.5
February	292.8	243.8	170.2	179.0
March	415.6	193.1	160.6	148.8
April	341.6	222.2	107.1	104.4
May	334.5	304.3	105.4	81.7
June	339.8	210.6	149.6	160.1
Total	1,858.8	1,388.4	774.9	802.6

	Tin		Teak	
	1955 (million baht)	1956 (million baht)	1955 (million baht)	1956 (million baht)
January	26.5	31.9	12.1	22.9
February	25.7	37.2	17.9	14.2
March	45.1	45.2	20.2	25.4
April	23.9	33.3	17.6	19.1
May	30.4	40.5	23.0	33.9
June	42.1	36.8	22.4	23.0
Total	193.7	224.9	113.2	138.5

During the first half of this year Thailand exported a total quantity of 616,825 tons of rice, compared with 717,872 tons in the corresponding period of last year.

The reduction in the total quantity and value of rice exported during the first half of this year was partly due to the limited supply of rice available for exports and partly due to the desire of the Government to control the quantity of rice exported at a monthly rate of 100,000 tons with a view to stabilizing the domestic prices of rice.

As regards Thailand's import trade during the first half of this year, it can be seen from the table below that the value of all the major items of imports except one increased substantially over those in the corresponding period last year.

Description of Imports	(January-June 1955) (Value in million baht)	(January-June 1956) (Value in million baht)
Cotton fabrics	275.8	368.0
Iron and Steel products	213.7	353.0
Petroleum products	306.1	345.0
Cars and accessories	188.6	201.6
Generators and electric appliances	156.8	177.7
Machineries	136.1	169.9
Other articles	148.5	146.5
Medicinals and pharmaceuticals	113.6	123.9

The only remedy needed for balancing the nation's foreign trade is for the Government to consider the adoption of a measure to promote the export of Thai rice.

PROSPECTS OF INDIA'S ECONOMIC PLAN

As the second Five-Year Plan gets into its swing, giant new plants turning out steel, machinery, chemicals, plastics, newsprint, petroleum and textiles dot the agricultural landscape. Nearly 20 per cent of the 4,000 million earmarked for the second plan, which began this year, will go to build up indigenous industries and cut down India's dependence on imports. Industrial centers will be scattered so as to spread opportunities for employment to all parts of the country. Many of the new industrial plants will be built near the hydroelectric dams constructed during the first Five-Year Plan to provide both irrigation and power.

In Northern and Central India, industrial sites are planned not only in the already industrialized coal and steel country of West Bengal and Bihar, but also in the virgin jungle area around Bhilai, in Madhya Pradesh, where a steel factory will form the nucleus of a thriving township, in Bhopal where a heavy electrical plant is to be built, and in the agricultural plains of the Punjab where the Nangal Dam will provide power for a joint fertilizer and heavy water plant.

In South India, hitherto lacking in the coal needed for industrialization, the Government is now hoping to build up a widespread industrial economy from a rich field of lignite, newly discovered at Neiveli, in Madras State, and declared by experts to be workable.

Bangalore, too, is well on the way to becoming the "Coventry" of India, with the development of numerous light industries as well as the manufacture of aircraft and railway coaches.

The emphasis in India's development plans during the next five years will be on heavy industry. As a basis for industrialization, three big steel plants, each with a million tons capacity, are being built by the Government with British, Russian and German aid. In addition, the privately owned Tata Iron and Steel Company is to expand with American help. By the end of the second Five-Year Plan,

India expects to produce nearly three times her present output of steel.

For the first time, India is also setting out to manufacture for herself the machines which make machines. A Government-owned machine tool plant will turn out high speed lathes, million machines and drilling machines. By 1961, India hopes to turn out 2,300,000 worth of machine tools each year. These at present have to be imported.

To support the manufacture of locomotives, diesel engines, tanks, machinery, tractors and earth-moving equipment, the Government is setting up foundries and forge shops to turn out heavy castings.

If the country achieves its aim of a 25 per cent increase in the national income during the second Five-Year Plan, the demand for consumer goods is expected to increase in proportion. Soap, for instance, is one of the first commodities in demand following any rise here in the standard of living, and Indian soap manufacturers expect to treble their output during the next five years.

Also quick to react to any increase in the average man's prosperity is the textile industry. The second Five-Year Plan provides for an increase in yearly per capita consumption of cloth from 16 yards to 18.4 yards. Allowing for the growth of population, this per capita increase means a 25 per cent increase in the total production of cloth needed, from the present 6,000 million yards to 7,500 million yards by 1961.

To fulfil the large-scale program of development of roads, housing and factories, the demand for cement is expected to double during the second Five-Year Plan. India is now turning out 5,000,000 tons of cement a year, and by 1961 production will go up to 10,000,000 tons.

Perhaps the most rapid development of all is taking place in the oil industry. At the start of the first Five-Year Plan in 1951, nearly all the country's demand for petroleum products had to be met by imports, since India's

sole refinery at Digboi, in Assam, could meet only five per cent of the requirements. Since then, two refineries have been built in Bombay, by Burma Shell of London and Standard Vacuum of New York respectively. A third is being set up by Caltex at Vizagapatam. Following a rich oil strike in Assam, a fourth refinery is likely to be set up in Calcutta by the Assam Oil Company in combination with the Indian Government. As a result of this expansion of the oil industry, imports of petroleum products have dropped 60 per cent already.

Both the State and private industry are sharing in India's industrial expansion. But in accordance with its

aim of achieving a "Socialistic pattern of society", the Government has reserved to itself all future development in the key industries. Some industries, such as iron and steel, atomic energy, defense equipment, aircraft, shipbuilding, heavy electrical equipment, oil and important minerals are Government monopolies. In other industries, such as the aluminum industry, machine tools, drugs, dyestuffs, plastics and fertilizers, the Government will generally take the initiative for development but private enterprise can still enter these fields to supplement the efforts of the State. Other industries, particularly the manufacture of consumer goods, are left to private industry.

MOSLIM UNITY IN THE PHILIPPINES

An estimated 2 million Filipino Moslems concluded recently a national conference of Mohammedans in Dansalan city, Lanao province, Mindanao island. Senator Domocao Alonto is president of the Muslim Association of the Philippines. The Association emerged as an important political movement in the Philippines. It was supported by most Moslim countries, incl. Indonesia, Pakistan, Iraq etc. It has demanded that Manila negotiate with Britain for repossession of North Borneo.

Some Philippine Moslim or Muslim intellectuals found that there existed a compelling need for a national conference of the various muslim elements of the country. Some of the reasons for holding the conference were the following: 1. There was a lack of unity, among the Filipino muslims. 2. There was a lack of education. 3. There was a lack of economic stability, and 4. There was the uncertainty of their social, cultural and political development. This idea, first germinated in the minds of a few Muslim intellectuals, crystallized into the first national conference held in Cotabato, in Mindanao island, last year. The 1955 conference had an auspicious gathering. For the first time in Philippine history, the Muslims realized that they were beset by the same problems, by the same fears of insecurity, and by the same longings as their Christian brothers. The first conference adjourned with the passage of numerous resolutions which showed the confused state of mind of the present-day Muslims.

There was one encouraging aspect: The conference acted as a lever which lifted the fear and confusion among them, and helped focus their present problems.

The second national conference, held recently in Dansalan city, started with the Muslims already aware of their problems. It attracted considerable attention and caused

speculation when foreign Muslim dignitaries—like the Egyptian ambassador to Indonesia—were invited to talk before the conference in Dansalan city.

The Muslims, although steadfast in their faith, are misinformed insofar as the outside world is concerned. The speeches, therefore, delivered by Muslim foreign dignitaries, helped the Philippine Muslims in clarifying their role as Muslims and as Filipino citizens. The Dansalan conference brought to the forefront the spirit of brotherhood and a consciousness of the task before them.

The final communique, although not an exhaustive statement of the Muslim problems, presented a list which tracked down their problems and solutions. The effect of this conference on current history cannot be assessed at present. The conference made the Muslims more conscious of their rights and obligations to the national body politic—a consciousness which would make them better citizens, both nationally and internationally. The few non-Muslims who attended the conference acquired a broader knowledge of Islam and Muslims.

It is sad to note that the average Christian Filipino believes that Islam is a religion of the sword, and that all Muslims are taught by this religion to kill non-Muslims to gain "salvation." This belief has been corrected with the realization of the non-Muslims who attended the conference that the ten commandments of Christians and Jews are also found in the Muslim gospel. This might be the beginning of a new era of understanding between the Christians and the Muslims. The long-standing prejudice against the Muslims is fading away. But for some time to come the conflict of interests among the Christian and Muslim Filipinos will last.

ECONOMIC LETTER FROM MANILA

Compania General de Tabacos de Filipinas, better known as Tabacalera, celebrated its 75th Anniversary. Divisions of the company, which have played a vital role in the development of the Philippines, include Central Azucarera de Tarlac, Compania de Celulosa de Filipinas, Tabacalera Steamship and Navigation Co., Tabacalera Insurance Co., and Salt Industry of the Philippines.

The new P600,000 plant of the Republic Manufacturing Co., licensed Philippine manufacturer of McGregor sportswear, was inaugurated. The plant is turning out sportshirts, slacks, knit shirts, jackets and swimsuits at the rate of 1,000 pieces every working day. Imported fabrics being used come from McGregor headquarters in New York, but local materials are being injected into the products, such as

packaging materials, thread, buttons, and other items. Additional local materials will be used as they become available. Every garment turned out is checked to meet McGregor specifications. Around 120 skilled workers are employed in the plant, which is equipped with the latest automatic machines.

Recently published figures of the National Economic Council and the Bureau of Census and Statistics present the following picture of population and employment in the Philippines:

LABOR FORCE STATUS AND OTHER CHARACTERISTICS OF THE POPULATION—10 YEARS AND OVER, AS OF MAY, 1956		
	Number	Per Cent Distribution
Total Population (10 years old and over)	14,586,700	100
Labor Force	9,497,550	65.1
Employed	8,314,900	57
Agricultural	5,047,000	34.6
Non-agricultural	3,276,900	22.4
Unemployed	1,182,450	8.1
Worked before	459,100	3.2
New Workers	728,350	4.9
Not in labor force	5,062,150	34.7
Keeping house	(19.4%)	
Students	(1.9%)	
Retired, Disabled, etc.	(18.4%)	
Unemployment status unknown	27,200	0.2

Eight Filipino scientists received awards from Pres. Magsaysay for their outstanding contributions in various scientific fields during the year. Presented as part of the observance of Science Week, the awards went to: Rafael H. Aguilar for research on lumbang oil which led to its use as a drying oil for paints; Jose M. Capinpin for contributions in plant genetics; Anacleto B. Coronel for studies in control of animal diseases; Dr. Antonio E. Ejercito for malaria control in the Philippines; Canuto G. Manuel for studies on birdlife and conservation; Gregorio T. Velasquez for research in algology; Victorino G. Villa for dental research; Valente E. Villegas on animal husbandry.

The newly created National Science Board will co-ordinate a five-year program of research which will include work in the following fields by the following organizations: Textile, pulp and paper, coconut products and by-products—University of the Philippines. Ore dressing and pyrometallurgy—Science Foundation of the Philippines. Industrial development of drugs from local plants—U.P. College of Pharmacy and Medicine. Rice and corn breeding; coffee and cacao improvement, livestock and poultry improvement—U.P. College of Agriculture. Antibiotics research, tetanus toxoid, rabies immunity plasma—Dept. of Health.

Various ways exist in which dollars leak out of the Philippines in violation of the currency control laws as regards imports: 1) Overpricing of imports—Drawings against letters of credit which are over-valued by padding invoices and firm orders. 2) Shortshipments—The commodities shown in the shipping documents may not all be shipped to the local importer, although the amount shown in the documents is fully paid for under the letter of credit; 3) Diversion of shipments—Shipments destined for the Philippines are not discharged in any local ports of entry but diverted to some foreign ports such as Hongkong, Singapore, etc.; 4) Commission and rebates—Importers' agents, brokers' and local representatives' commissions and rebates being left in the hands and books of the foreign suppliers; and 5) Pur-

chase and smuggling of dollars—Black market purchase of dollars and actual smuggling out of the country.

As regards exports: 1) Underpricing of export commodities—The exporter and importer may contract for a price lower than the actual price agreed upon. All documents indicate the lower price. Actually the importer pays the exporter the difference between the declared price and the price privately agreed upon. This difference may be deposited by the importer for the account of the Philippine exporter; 2) Overshipment of export commodities—Shipments made are more than those indicated in the documents; 3) Expenses of exporters—The exporter finances the expenses of the importer when the latter comes to the Philippines and vice versa; 4) Exports under the "no-dollar" proceeds—Goods sent abroad as gifts may be actually sold; and 5) Exports with dollar proceeds—There are families abroad who send regular allowances to members of their families in the Philippines. The exporter can solicit the help of these people by making it appear that the amount remitted to the Philippines is actually in payment of exports.

As regards invisibles: 1) Remittances for dependents—Remitters in the Philippines may contact residents abroad, e.g. Hawaii, Guam, and other countries, to send their dependents who are residing in the United States certain amounts. Payments for these remittances, with prior understanding of the parties, may be made to relatives residing in the Philippines; 2) Remittances for students—Some students in the U.S. are not really in need of support from their parents or relatives in the Philippines, so that no remittance for this purpose is being made with the Central Bank. However, parents of students in the U.S., make arrangements with parents who are not sending regular allowances to their children and make it appear that amounts applied for are intended for the maintenance of their children. Counterpart payment is usually made in Philippine currency.

The Monetary Board of the Central Bank announced that the Philippines and Japan have abolished the swing balance and escrow account payment system in trade between the two countries and will begin trading with Japan on the open account basis starting January 1. Under the open account system, the debiting and crediting of trading accounts will be done by commercial banks instead of the Central Bank, and importers with foreign exchange allocations can place their orders with Japanese suppliers on a dollar payment basis. It is expected that this will bring down the price of Japanese goods in the Philippine market.

A new electron microscope capable of identifying by enlargement (up to 60,000 to 100,000 times) the minute plant viruses attacking local agricultural crops has gone into use at the University of the Philippines Agricultural College at Los Banos, Laguna. Donated by the International Cooperation Administration, the microscope will be used under the supervision of Antonio D. Bustrillos, research instructor.

Benguet Exploration, Inc., a pre-war company, has resumed operations and started erection of a small mill on its Thanksgiving property outside of Baguio. Development work since the war has shown up several high-grade ore bodies, classed as bonanza rock, which averages around .7 ounce of gold, one to two per cent copper, four to five ounces of silver, and twelve to fifteen per cent zinc per ton. The mill, with an initial capacity of 50 tons per day, will ship its concentrates to foreign smelters for treatment. President of the company is the geologist Paul A. Schafer. The mine is being managed by Philez Mining Corp.

PAPERS AND PARTIES IN MALAYA

The following newspapers and weeklies are published in Malaya and Singapore:—

	Daily	Weekly	Published in:	Daily	Weekly	Published in:
English-Language Press:				Tamil Press:		
Straits Times		Sunday Times	Singapore	Tamil Nesan		K. Lumpur
Singapore Standard		Sunday Standard	Singapore		Sangamani (bi-weekly)	K. Lumpur
Malay Mail			K. Lumpur	Tamil Murasu		Singapore
Straits Echo			Penang	Malaya Nanban		Singapore
Pinang Gazette		Sunday Gazette	Penang			
Singapore Free Press			Singapore			
Indian Daily Mail			Singapore			
Malay Press:				The following main political parties are in the Federation of Malaya:		
Utusan Melayu		Utusan Zaman	Singapore	United Malays National Organisation		(UMNO)
Warta Negara		Warta Mingguan	Penang	Malayan Chinese Association		(MCA)
		Malaya Merdeka	K. Lumpur	Malayan Indian Congress		(MIC)
		Pedoman	K. Lumpur	The UMNO-MCA-MIC Alliance		
		Kritik (Critic)	K. Lumpur	Party Negara		(PN)
Chinese Press:				Pan-Malayan Islamic Association		(P-MIA)
China Press			K. Lumpur	Peninsula Malays Union		(PMU)
Nanyang Siang Pau			Singapore	Labour Party of Malaya		(LPM)
Sin Chew Jit Poh			Singapore	Perak Progressive Party		(PPP)
Kin Kwok Daily News			Ipoh	National Association of Perak		(NAP)
Kwong Wah Yit Poh			Penang	All-Malaya Malay Youth Congress		(A-MMYC)
Sing Pin Jih Pao			Penang	Perak Malay League		(PML)
				Party Ra'ayat (People's Party)		
				Johore United Malay National Movement		

THE COLONY OF NORTH BORNEO AND ITS HISTORY

GENERAL GEOLOGY

The oldest rocks known to exist in the Colony are of Upper Cretaceous age, that is some sixty or seventy million years old. They were deposited in fairly deep water in a sea trough which seems to have extended from Japan to New Guinea. During the succeeding Eocene times, the trough was almost filled, mainly with sandstone and volcanic materials. The crust then suffered a structural failure during which part of the infilling of the trough was raised to form land, and great masses of molten and semi-solid rock rose from below to form intrusions ranging from dunite to quartz-diorite; these intrusions brought with them chromium, gold, platinum, and copper. Deposition of mud, sand, and other materials continued in the remnants of the sea and in isolated salt-water basins surrounded by desert land until the beginning of the Oligocene epoch when the whole area became land; it was probably soon after this that the granite-like rock of Mount Kinabalu rose in a molten condition from below, although it was much later that erosion of rocks overlying the intrusion revealed the mountain in its present form.

At the end of the Oligocene times, the Sugut, Kinabatangan, and Kalabakang-Brantian areas were submerged below the sea again and more sedimentary deposits, many of them with considerable admixture of volcanic ash, were laid down, together with some coal. Before the Pliocene epoch, emergence of the land produced North Borneo in approximately its present form and deposition of marine sediments continued only in areas close to the present coast; a little of this material, for example, on the tip of Dent

Peninsula, has since emerged to form land. In comparatively recent times, possibly less than a million years ago, active volcanoes built the cone of which the remnants now form Gaya Island in Darvel Bay, and poured out lava in the Mostyn area and in the hinterland of Tawau, lava which has given rise to the valuable soils on which hemp and rubber trees grow exceptionally well.

During the Great Ice Age, the sea throughout the world became shallower and the shelves now submerged below shallow sea around the North Borneo coasts were part of the land, with the rivers extending out across them. After the melting of great masses of ice in other parts of the world, the sea rose and flooded the valleys, producing a deeply indented coast-line, particularly on the east coast. Since then, the rivers have been attempting to straighten the coast-line by depositing estuarine alluvium, the Segama being the only large river to have succeeded; although the Kinabatangan appears at first glance to have done so, it has actually abandoned its old estuary, which is now Sandakan Harbour, and has found a new way to the sea in a place where the coast was already almost straight.

Klias Peninsula, on the west coast, is an exceptional feature which owes its origin to the destruction of a lake or series of lakes that occupied what is now the Pegalan-Padas valley. A river flowing from the top of the present Padas Gorge cut back its headwaters until it drained this lake and vast quantities of lake-bed sediment were carried rapidly to the sea and deposited between the coast and a row of islands which now form the hills between Mempakul and Tanjung Nosong.

GEOGRAPHY

North Borneo includes the whole of the northern portion of the island of Borneo. It is 29,388 square miles in area or roughly the size of Ireland. The China Sea washes its western and the Sulu and Celebes Seas its eastern coasts. The heavily-indented coastline measures some 800 to 900 miles.

The distances from Sandakan to towns in adjacent territories are approximately as follows: Manila, 600 miles; Singapore 1,000 miles; Hongkong 1,200 miles; and Port Darwin, 1,500 miles.

The country contains central mountain ranges, from four to six thousand feet in height, rising somewhat sharply from ranges of low hills nearer the coast. These hills are traversed by valleys and occasional plains. The coastline is formed mainly of alluvial flats, with many creeks and swamps. Hills and valleys in most cases are covered with dense forest, and there are many rivers.

The main harbour on the west coast is on the island of Labuan, which lies to the north of Brunei Bay. Further north Jesselton, the capital of the Colony, has a good, well-sheltered harbour for vessels of moderate size, which take away the bulk of the rubber produced on the west coast. At the most northerly point of the Colony is Marudu Bay, a former stronghold of Illanun pirates. On its western shore, eleven miles from the entrance, is Kudat Harbour. About midway down the east coast is the magnificent harbour of Sandakan, the approach to which is marred to some extent by a bar. The entrance is a mile and a quarter wide, and the bay, which is fifteen miles in length, gradually increases to a width of five miles. Sandakan, a former capital of the old State of North Borneo and the largest town in the Colony, is built on northern shore about a mile from the entrance. Other good harbours are Lahad Datu, further down the east coast, and Cowie Harbour with its port of Tawau.

The main mountain feature of the country is the Crocker Range, commencing at the south end of Marudu Bay and following the west coast at a distance of some thirty miles. This range, 4,000—6,000 feet in height, sends short spurs to the west coast, and is dominated by Mount Kinabalu, 13,455 feet high. This is one of the finest mountains in the Far East and is venerated by the natives as the resting-place of the souls of the dead. Trusmadi, on the borders of the Keningau and Tambunan district in the Interior, reaches a height of 8,000 feet, while ranges of 4,000—6,000 feet are not uncommon near the Indonesian border.

The most extensive plain is that on the east coast drained by the Kinabatangan river and its tributaries, believed to contain some 4,000 square miles of rich and fertile soil. In the Interior are found the Keningau and Tambunan plains which are traversed by the Pegalan River. The Keningau plain consists of wide stretches of grassland, while Tambunan maintains a large padi-growing population.

The rivers are numerous and of considerable importance constituting as they do the only highways in some parts of the country. The longest, the Kinabatangan, follows a course of some 350 miles, and is navigable by shallow-draught launches for considerable distances. The Segama River, in the south-east, is navigable for about sixty miles and the rich soil of its valley is suitable for the cultivation of wrapper-leaf tobacco. The other main rivers in the east are the Labuk and the Sugut.

The west coast rivers are by contrast short and swift-flowing, and consequently of little use for navigation, but the long-narrow coastal plain which they water, contains the main rice and rubber-producing areas of the Colony. The longest of these rivers is the Padas, which is navigable

for small launches as far as Beaufort, sixty miles from the sea. The Padas has cut a deep and narrow gorge through the west coast range, and it is through this lovely, scenic gorge that the railway into the Interior runs for much of its course.

HISTORY

To a very great extent the history of Borneo is veiled in obscurity. It was known to the Arabs many years ago as a land rich in precious stones, gold and spices, and it is said that somewhere about A.D. 1300 the island was invaded by Kublai Khan. The traditions of Brunei and Sulu indicate that about this period there was established a Chinese settlement somewhere in the northern part of the island, and signs of early contact with Chinese civilisation still exist.

The first visits to the island of Borneo by Europeans were probably made by Spaniards and Portuguese. The companions of Magellan, after the death of their chief in the Philippines, called at Brunei in 1521; their historian, Pigafetta, left it on record that this city was then of considerable importance and contained no less than 25,000 families. A Dutchman visited Brunei in 1600, and the Dutch founded establishments in Borneo about that time. The first visit of an Englishman to the island seems to have been in 1665, when a certain Captain Cowley "visited a small island which lay near the north end of Borneo."

In 1773 the East India Company founded a station at Balambangan, an island to the north of Marudu Bay. This island and all the north-east promontory of Borneo had been granted by the Sultan of Sulu to Alexander Dalrymple in 1756, as a reward for procuring his release from Spanish captivity in Manila. The settlement at Balambangan was attacked by Sulus and Illanuns in 1775, and the garrison was forced to flee to Brunei, where the East India Company had another station. In 1803 the Company again formed an establishment in Balambangan, but shortly afterwards abandoned it, as well as the settlement in Brunei.

Meanwhile the Dutch had extended their influence and had acquired control of all but the northern and western portions of the island. By the beginning of the nineteenth century the north and west had relapsed into a condition of lawlessness and decay. Here the Sultans of Brunei and Sulu exercised nominal control and farmed out the right of collecting revenue to natives of rank. These "farmers" settled at the mouths of the rivers, levied taxes on passing traders and plundered the inhabitants. On the coast there was a loose system of Islamic law and in the Interior natives settled their own disputes according to tribal custom. Head-hunting was rife, disease ravaged the country, and pirates ranged the seas.

These, in brief, were the conditions in the north and west when James Brooke visited the island in 1840 and was installed as Rajah and Governor of Sarawak in 1841. Foremost among the new Rajah's ambitions was the suppression of piracy. The principal piratical races at the time were the Illanuns, the Balagnini, the Bajaus and the Sulus, all living near the north of the island. Their vessels were of large size, sometimes reaching a burden of 60 tons and a length of 90 feet, and they were heavily armed. Their cruising grounds were extensive, covering the coasts of the Philippine Islands, Borneo, the Celebes, Sumatra, Java, the Malay Peninsula, and even the Bay of Bengal. They had settlements of considerable size in Marudu Bay and along the east and west coasts of North Borneo.

After several efforts, Rajah Brooke persuaded the British Government to take an interest in the suppression of this piracy, which was doing considerable damage to European shipping as well as to native craft. Several expedi-

tions were sent against the pirate strongholds on the north coast during the years which followed, culminating in the destruction of Tunku on the east coast by H.M.S. Kestrel in 1879.

The modern history of North Borneo may be said to have begun in 1847, when the British Government concluded a Treaty of Friendship and Commerce with the Sultan of Brunei and acquired at the same time the island of Labuan, which became a Crown Colony with a Governor and other officers. A similar treaty was entered into in 1849 between Great Britain and the Sultan of Sulu, but was not ratified owing to the difficulties raised by Spain.

British and American traders now attempted to obtain a firmer footing in North Borneo, and in 1872 protracted negotiations with the Sultans of Brunei and Sulu led to the cession in perpetuity of a large area of the country to a private syndicate controlled by Mr. Alfred Dent and his brother. The cession was subject to certain annual payments to the Sultans. In 1881 a Liberal Government under Gladstone granted a Charter to the "British North Borneo Provisional Association, Limited." The Charter provided, *inter alia*, that the new company should always be British in character. It prohibited the transfer of the benefits of the grants and commissions without the consent of the Secretary of State, forbade the grant of any general monopoly of trade and invested the Secretary of State with certain powers of supervision over the company's proceedings, including the appointment of its principal representative in Borneo. The company undertook to abolish slavery, to administer justice with due regard to native customs and laws, and not to interfere with the religion of the inhabitants.

Following the grant of the Charter, the British North Borneo Company was formed in May, 1882 to finance the administration of the new state. A long diplomatic correspondence was necessary before the misgivings of the other European powers, in particular Spain and Holland, were finally allayed. In 1888 the state was created a British Protectorate, and from 1890 Labuan was, by request of the British Government, administered by the Government

of North Borneo. This agreement ceased as from 1st January, 1906, the British Government having decided that it was necessary on grounds of imperial policy that Great Britain should resume direct responsibility for the administration of the Colony of Labuan.

Considering the lawlessness which prevailed before the British occupation, North Borneo has been remarkably free from unrest, though some trouble was encountered by the Company in the early years of its administration. Exploration of the newly acquired territories continued steadily and the little-known regions of the Interior were gradually penetrated and brought under control. Various enclaves of territory not included in that acquired from the Sultans were absorbed from time to time to knit the state into a compact whole of about 29,400 square miles. Economically, the country went slowly ahead. Capital started to flow in, though not as freely as had been hoped, and settlers were encouraged to immigrate from China. The west coast railway was begun in 1896 and completed nine years later to link Jesselton with Weston in the south and Melalap in the Interior. A serious economic crisis was averted by the rubber boom in the early nineteen-hundreds, the land which the railway had opened up proving eminently suitable for the growing of rubber which became within a few years the mainstay of the country's economy.

In January, 1942, North Borneo was invaded by the Japanese naval and military forces. For over three and a half years the country remained under enemy occupation until final liberation by units of the Ninth Australian Division, who landed in Labuan on 10th June, 1945. The behaviour of the population during this period was, with very few exceptions, exemplary, and many paid for their loyalty with their lives. The British Military Administration, which contained a few former Chartered Company senior officers, found the Colony in a state of appalling devastation. The Military Administration continued until 15th July, 1946, when North Borneo became a Crown Colony and civil Government was resumed. On the same date Labuan was incorporated into the new Colony.

— Extracts from the North Borneo Government Report for 1954

HONGKONG BUILDING DEVELOPMENT

Extract of Hongkong Government Report for Fiscal Year 1955/56

Except for the New Territories (outside New Kowloon), rates are charged at 17 per cent per annum of the rateable value. This figure is reduced to 16 per cent where Government water is supplied unfiltered and to 15 per cent where no provisions exist for any such supply. In the New Territories the corresponding charges are 11, 10 and 9 per cent respectively. The net revenue from rates for the year for Hongkong Island, Kowloon and New Kowloon was \$49,769,806, over \$10 million more than the year before. The revenue each year from 1946 was as follows:—1947/48 \$9,984,660, 1948/49 \$14,984,710, 1949/50 \$19,286,843, 1950/51 \$27,253,352, 1951/52 \$30,074,598, 1952/53 \$33,891,832, 1953/54 \$37,614,897, 1954/55 \$39,545,087, 1955/56 \$49,769,806. A small amount from one of the former urban areas in the New Territories, which was due in 1954-1955 and not collected until 1955-1956, is not included in the above figure. A surcharge of five per cent is added to any rates not paid during the first month of a quarter. This surcharge amounted to \$82,624 in 1955-1956 (0.166% of total collection).

Unoccupied Buildings: While unofficial estimates have placed the number of unoccupied floors as high as three or four thousand the fact is that at the end of the year the total was less than one thousand. The main centres of these empty floors were in districts which had been overbuilt. There was little vacancy anywhere of the traditional tenement house floors. This reduction in the number of empty floors was not an indication that prospective tenants could pay more; it was assisted by developers planning and altering their plans to meet the type of demand. Thus deep sites which in the past have usually catered for one building are being built so as to provide two units, front and back, on each floor, either for letting or selling. In other cases where completed floors proved too large for letting or selling as one unit, developers often made alterations to produce accommodation of a size and price with a wider appeal.

It was a year of great activity for private building development and new buildings arose with almost phenomenal speed in all parts of Hongkong Island, Kowloon and

New Kowloon. Much of this new work was re-development, preceded by the removal of old structures ranging from a single building on a small site to one large scheme near the centre of the city which involved the demolition of all the buildings in an area bounded by four streets. The new buildings provided a varied range of accommodation and included much additional domestic space built by certain housing societies. However, it was noticeable that most re-development took place in main or fairly prominent streets where the incentive of a quick sale or ready letting of the new buildings was most likely.

Cost of New Building Work: The cost of private building work during the fiscal year amounted to \$174,000,000, a record total. Compilation of these figures commenced in 1950 and since that time the totals for each year have been:—1950-1951 \$120,738,054, 1951-1952 \$68,637,700, 1952-1953 \$146,112,366, 1953-1954 \$71,228,902, 1954-1955 \$90,145,366, 1955-1956 \$173,723,415, total for 6 years \$670,585,803. Proportion of annual totals represented by domestic premises are 49.18%, 60.30%, 51.47%, 65.20%, 54.14% and 74.42% respectively. As these figures are compiled from returns which generally are received after varying periods of times from the completion of the building work, the details are sometimes compiled in the year building is finished while others are entered up the following year. As a rule such variations balance out fairly well, but in the case of large buildings that take a long time to complete compilation of cost some time afterwards can produce a distorted effect in relation to the year by year totals—one year is inflated while another does not get its fair share. But in the aggregate the figures are correct. The total of \$670,000,000 in the last six years is testimony to the remarkable growth which has taken place; it represents an average expenditure during that time of well over \$2,000,000 per week. This private investment in new buildings (the figures include expenditure on site formation but not the value of the land developed) was distributed as follows:—Hongkong Island 57% and Kowloon & New Kowloon 43%. Present indications suggest that expenditure in Kowloon is rapidly matching, and perhaps exceeding, the value of new construction on the island as a whole.

Interim Valuations: An "interim valuation" is one

made during the year for rating purposes in respect of a tenement the structural condition of which has changed since it was previously valued or of tenements not previously valued. During the year, the net increase in rateable value amounted to \$36,787,555 made up as follows:—

	Hongkong		Kowloon and New Kowloon	
	No.	Rateable Value \$	No.	Rateable Value \$
New or rebuilt tenements, tenements structurally altered, etc.	4,033	23,847,720	4,883	22,514,170
Valuations cancelled:—tenements resumed, pulled down or being in other respects not rateable	480	5,072,090	437	4,532,245
Numbers & Net Increases	4,535	18,775,630	5,320	18,011,925

These figures set new records in the number of valuations and the net increase in rateable value in any one year, the total figures for the year before being 2,974 cases and a net increase of \$10,715,780. In addition, rateable value of the portion of the New Territories adjoining or adjacent to the Castle Peak Road and extending from the northern boundary of New Kowloon to the Castle Peak Police Station for 1956-57 is \$7,925,835. The total rateable value on 31st March, 1956 was \$301,438,092 compared with \$256,724,702 at 31st March, 1955.

Valuations: In connexion with the sale and transfer of real estate the number of valuations made and stated considerations in assignments scrutinized for the Collector of Stamp Revenue was 5,314 compared with 3,552 in the previous year. The total capital values involved were \$379,067,360 and \$270,476,454 respectively. The revenue for the year 1955-1956 amounted to \$11,099,836 compared with \$8,785,664 in 1954-1955. These figures indicate the increasing and extensive activity in landed property transactions.

Property Tax: Property Tax under the Inland Revenue Ordinance, which is charged on rateable value, showed a gross revenue during the year of \$14,762,122.

COST OF NEW BUILDING WORK IN HONGKONG ISLAND, KOWLOON AND NEW KOWLOON DURING THE PERIOD 1.4.55—31.3.56

Month	Hongkong Island						Kowloon & New Kowloon						Total
	City of Victoria			Outside Victoria									
	Building	Site Work		Building	Site Work		Building	Site Work		Building	Site Work		
	No.	\$	\$	No.	\$	\$	No.	\$	\$	No.	\$	\$	
Apr. 1955	16	2,707,685	—	26	2,050,126	188,371	49	4,909,452	490,376	91	10,346,010		
May	52	4,491,791	162,874	62	3,824,345	341,852	163	8,635,292	203,177	271	17,659,331		
June	61	4,104,115	107,520	55	4,453,352	269,120	146	7,534,045	213,221	262	16,681,373		
July	68	3,530,853	159,628	42	3,592,330	141,500	112	5,525,202	4,000	222	12,953,513		
August	45	4,953,843	51,970	65	5,737,846	153,306	105	4,892,293	92,853	215	15,882,117		
Sept.	31	2,411,339	43,180	89	4,555,665	145,573	60	2,599,823	36,192	150	9,791,772		
Oct.	51	1,883,485	147,530	21	1,174,941	20,697	304	9,115,668	109,976	376	12,452,297		
Nov.	49	7,139,884	341,845	35	2,679,279	11,701	178	8,857,022	64,868	262	19,094,599		
Dec.	49	4,244,023	407,744	10	856,718	86,464	143	9,988,119	229,758	202	15,812,826		
Jan. 1956	28	1,300,626	14,389	29	9,409,089	325,750	166	10,023,916	271,756	223	21,345,526		
Feb.	43	2,058,536	73,537	42	2,548,202	254,100	78	4,861,326	282,261	163	10,077,962		
Mar.	30	1,660,406	15,815	33	1,690,021	152,193	384	7,829,698	277,962	447	11,626,095		
Total	523	40,486,586	1,526,032	509	42,571,914	2,090,627	1888	84,771,856	2,276,400	2920	173,723,415		

PROGRESS OF HONGKONG PUBLIC WORKS

Extract of Public Works Department Report for fiscal year 1955/56

GOVERNMENT BUILDING

Approximately \$36 million was spent during last fiscal year on new works, of which \$12 million was for Resettlement Housing.

Office and Residential Buildings: The Central Government Offices will provide an office building from the corner of Garden Road-Lower Albert Road to the corner of Ice House Street-Queen's Road. The whole scheme will provide 370,000 square feet of floor space, of which 96,000 square feet are in the East Wing completed the previous year. The central block, consisting of 71,000 square feet of floor space, was well advanced by the end of March. Satisfactory progress was maintained on the construction of Sham Shui Po District Building which consists of a Post Office on the ground floor and six storeys of general office accommodation above. The planning of the City Hall made good progress during the year and sketch plans were prepared. The building provides a concert hall of 1,350 seats which is to be adaptable for the performance of Chinese Opera, and a theatre seating 480. These two units are planned around the central block which contains the main entrance foyer, dance hall and banqueting hall. The multi-storey block houses the marriage registry, lecture rooms, committee and exhibition rooms, art gallery, museum and four floors devoted to library services. A feature of the scheme is the elevated promenade which encloses a courtyard which is to be planned as a garden. Work was commenced on the preliminary working drawings and investigation of site problems. The Chater Hall Flats consisting of fifty-nine flats and garages in an eleven-storey block was completed in October. The 10-storey Leighton Hill Flats were completed in September. The working drawings of the Argyle Street Flats were completed by the end of March. Additional Extensions to Kai Tak Terminal Building were completed in January. Construction was completed in August of an eight-bay open car port at Kai Tak. Working drawings for a single storey V.I.P. building, consisting of a lounge, press conference room, security control room, kitchen and toilet, were nearing completion by the end of the year. An extension of offices for the Department of Agriculture, Fisheries & Forestry consisting of six new offices to the existing offices at Lai Chi Kok was completed in November.

Schools: The Queen Elizabeth School, Kowloon with laboratories, domestic science, handwork and needlework rooms, assembly hall and covered playground was completed in October. The level of the site for Tsun Wan Primary School was first reduced by ninety feet to suit the approved Town Planning Scheme. Building work was commenced in December. Working drawings for Extensions to Grantham Training College were completed in March. Construction of a twenty-four class-room primary school at Mission Road, Kowloon, accommodating 1,080 pupils began in February. Owing to the large number of schools that are required in the Urban areas and the extreme shortage of land available to accommodate them, it has been necessary to design schools on the minimum site area. This school, comprising twenty-four classrooms, art room, housecraft room, woodwork room, lavatories, changing rooms, teachers' rooms, caretaker's rooms and covered and roof playgrounds, is planned as a four-storey "U" shaped building on a total site area of 27,000 square feet. The first phase of the new

Technical College at Hung Hom consists of a main four-storey classroom block, a single storey workshop block, and a single storey laboratory wing. These buildings have been arranged with full consideration to future expansion of all units plus the construction of an Assembly Hall including a canteen, kitchen, and students' common rooms.

Hospitals and Clinics: The Castle Peak Hospital was referred to in the previous report as the "Mental Hospital". Site formation began in November. The first phase of the building programme includes a Custodial Home, providing accommodation for sixty male patients on the ground floor and sixty female on the first floor. When the whole hospital scheme is completed this block will be used entirely for male patients, a similar block being provided for females. Working drawings were commenced for the remainder of the Hospital for five hundred beds. The basic scheme for the new Kowloon General Hospital was approved in November subject to minor amendments. Preliminary detailed plans of the various departments were being prepared for approval of the Medical Department. Sketch plans were also being prepared for the Sisters' & Nurses' Quarters and Nurses' Training School. Extensions to Maurine Grantham Health Centre, Tsun Wan were completed in December. At the Queen Mary Hospital, an annexe to the main Hospital building was completed in December. The Schools Medical Clinic at Sai Yee Street was completed in July. Construction of the Maternal & Child Health Centre, Homan-tin commenced in January. The Sai Kung Clinic was completed in January. The conversion of first floor of the Government Stores, North Point, into a laboratory for the Government Chemist was completed in January. Sketch plans were prepared for a general and maternity clinic as well as a chest clinic and X-ray department in Shek Kip Mei Area.

Police Station and Quarters: The first stage of the new building for Western Police Station was completed in June. Construction of the second stage was commenced in January and working drawings for the third stage were nearing completion. Extensions to Eastern Police Station commenced in September and progress was satisfactory. Extensions to Yaumati Police Station were completed in February. As a first stage in the development of the New Territories Depot and Headquarters at Fanling, plans were prepared for the construction of rank and file married quarters and Pakistani barrack accommodation. Construction commenced in February. Extensions to Police Training School, Aberdeen were completed in June. The Rifle Range at King's Park was completed in October. Construction of workshops, garages and oil store in the compound of Kowloon Police Headquarters was completed in November. At the Lok Ma Chau Police Station a new single-storey building was constructed within the existing station compound, consisting of a canteen and additional barrack accommodation. Work was completed in February. As a second stage in the development of the Arsenal Yard site on which was built the New Police Headquarters, an eleven-storey building, consisting of a school on the ground floor and rank and file married quarters above, is to be constructed on the Queen's Road frontage. At Stanley Prison an assembly and dining hall was completed in June.

New Electrical and Mechanical Workshops: The first stage—the construction of the mechanical workshops, providing a covered floor area of 52,800 square feet—was com-

pleted in December. As no funds were provided for the second and final stage—the electrical workshops and offices—no progress was made beyond the preparation of sketch plans.

Sports Stadium: Construction of the stadium in the Sookunpoo Valley was completed during the year. The stadium can accommodate 28,500 spectators.

Resettlement Buildings: Li Cheng Uk, Block 'A' referred to in last year's report as "Tonkin Street Resettlement Flats", was completed in March. A large site at Li Cheng Uk was reserved for the construction of further blocks of resettlement flats. Site formation for the first phase, consisting of seven blocks, was commenced in May and completed in January. During site formation an ancient tomb was discovered which it was decided to retain; this necessitated omitting two of the blocks from the contract. Building work on the five remaining blocks, consisting of 2,824 rooms, was commenced in August and completed in February. The second phase, consisting of five blocks with a total of 3,010 rooms, was commenced in February and very good progress was made. Sketch plans for the third phase, providing a further 1,386 rooms, were prepared in January and approved in February. An additional site was obtained adjoining the Tai Hang Tung Resettlement Flats for six more blocks of seven-storey flats with a total of 1,792 rooms. Building work commenced in September and by the end of the year four of the six blocks were completed. At Shek Kip Mei the first stage of the re-development was planned on an area not occupied by two-storey temporary buildings and consisted of three blocks with a total of 1,334 rooms. Construction of the buildings commenced in December. Sketch plans were prepared in February for stage II of the re-development on part of the site of the two-storey buildings and consist of six blocks with a total of 2,548 rooms. A scheme was prepared for four blocks of flats on Tai Wan Hill Resettlement site. Owing to the extensive site formation work required to form the sites, it was decided to let the building contract in two stages—each consisting of two blocks of flats. Site formation commenced in June but no sites were available by the end of the year. A survey of the site for Lo Fu Ngam Resettlement Flats was prepared in December and sketch plans submitted for approval in February. Owing to site restrictions caused by the construction of the new Airport, approval of the scheme had to be delayed.

PRIVATE BUILDING

As in previous years the tendency to replace old, relatively low, buildings by modern multi-storey buildings has become more and more pronounced, and such rebuilding continued to form an increasing proportion of the total volume of building work. Despite this, however, the amount of completely new development was still very high, and there was no indication of any diminution in this respect. It is estimated that a sum of \$168,000,000 was expended by private developers in Hongkong, Kowloon and New Kowloon on the erection of new buildings during the year. 1,388 new buildings were completed during the year of which 1,158 were for domestic use. In all, 5,212 approvals were issued for plans in respect of 8,909 buildings including: 204 plans for 445 European type houses, 313 plans for 957 Chinese type houses, 42 plans for 50 apartment buildings, 74 plans for 81 workshops and factories, 41 plans for 46 godowns and stores, 15 plans for 15 schools, 24 plans for 24 office buildings and 2 plans for 2 hospitals.

CROWN LANDS

The total amount of revenue billed including \$1,406,132.55 collected by the District Commissioner, New Territories, as compared with the previous year was as under:—

	1954/55	1955/56
Premia on land sales etc.	\$11,932,601.50	\$13,653,840.52
Boundary Stones & Survey		
Fees	15,197.84	13,888.71
Permit Fees	3,379,368.20	3,126,052.65
Plans sold to the public	6,285.00	2,977.00
	\$15,333 452.54	\$16,796,758.88

A detailed comparison of premia derived from land sales, extensions and conversions with the figures for the previous year is as under:—

Sales by Auction	1954/55	1955/56
Island	\$ 1,479,150	\$ 668,844
Kowloon	1,735,200	3,017,000
New Kowloon	2,444,000	1,306,750
New Territories	498,079	577,981
Sales without Auction		
Island	528,602	1,074,548
Kowloon	182,840	939,509
New Kowloon	667,210	124,518
New Territories	20,119	—
Extensions Granted		
Island	1,186,701	2,775,659
Kowloon	636,849	292,787
New Kowloon	768,995	989,130
New Territories	1,883	—
Conversion & Exchanges		
Island	256,832	28,088
Kowloon	21,364	32,345
New Kowloon	32,234	97,902
New Territories	233,469	636,169
Extension of Terms of Leases		
Island	267,904	10,235
Kowloon	924,818	1,082,371
New Kowloon	—	—
New Territories	—	—
Grant on Short Leases		
New Territories	46,347	—
	\$11,932,601	\$13,653,840

Eleven free grants were made to charitable institutions and schools during the year, seven on the Island and four on the Mainland.

PORT WORKS

New Construction: The new Star Ferry piers commenced on Hongkong and Kowloon sites simultaneously. The work is being carried out in two stages so that when two of the four berths on either side of the harbour have been completed the ferry service can be transferred to them. The existing piers will then be demolished and the remaining two terminals completed. The first stage will be ready by April 1957 and the whole project finished a year later. Work continued throughout the year in reclaiming 78 acres at Kun Tong Bay for industrial development. To protect the seaward edge of the reclamation 1,200 feet of sea wall was completed by the end of November. Construction of the rubble mound linking Tsing Chau Island and the Mainland to form a new site for the Colony Refuse Dump was completed during the year, and dumping of refuse commenced in September. At the Central Reclamation 267 feet of sea wall was built in July to close the gap left open pending the diversion of the cross harbour water pipeline. Filling of the reclamation behind the sea wall was

completed by mid-August. The Kowloon Public Pier was completed with a reinforced concrete roof in October. The construction of Kowloon City Ferry Pier was completed except for the installation of two electrically operated passenger lifts and 6 ramps, the delivery of which from the United Kingdom had been delayed. The Stewart Road Ferry Pier was completed by the end of the year.

Reconstruction Work: In order to cater for the anticipated vehicular and pedestrian traffic to and from the new Stadium at Sookunpoo, Caroline Hill Road was widened and reconstructed from Leighton Road to the Stadium. The overall width of the road is 45 feet, consisting of a 25 foot carriageway and two 10 foot concrete footways. Widening was continued from the Stadium to Cotton Path to the same standard. Improvement of Kennedy Road/Macdonnell Road junction eliminated one of the bottlenecks in Kennedy Road. Another bottleneck removed in Kennedy Road was the sharp bend near Stone Nullah Lane. Percival Street from Hennessy Road to Leighton Road was reconstructed following the relaying of tram-tracks. New footways were provided in Upper Albert Road, Bonham Road, Pokfulam Road and Seymour Road. Link Road, Russell Street, a section of O'Brien Road, Village Road, Canal Road East, West Street, Wellington Street, Davis Street, Cadogan Street, Aberdeen Street, Ice House Street, Lyttleton Road, Park Road and sections on Jaffe Road and Stubbs Road were reconstructed during the year. Resurfacing was carried out on Lynhurst Terrace and a section of Castle Road. Island Road was resurfaced between this junction and Beach Road junction and the bends were super-elevated. Bus lay-bys at various locations on Island Road, Repulse Bay Road, Stubbs Road, and Pokfulam Road were completed, and were designed also to serve as passing bays for slow moving traffic when going up grades. Resurfacing of Finlay Road, Whitfield Road, a section of Tai Hang Road and Tong Shui Road was effected. Severn Road/Plantation Road junction was improved. Aiming at a future 50 foot overall width, Stubbs Road at its junction with Queen's Road East, was widened by cutting into the hillside adjoining I.L. 6935, Wah Yan College.

In Kowloon and New Territories the section between Tam Kung Road and To Kwa Wan Road was constructed. To Kwa Wan Road, from Sung Wong Toi Road and the Ma Tau Kok Ferry Concourse, was reconstructed to a standard adequate to take bus traffic between Kowloon City and the Ferry Concourse. Along Sung Wong Toi Road provision was made for a 30 foot carriageway with a 10 foot parking strip, a 6 foot footpath adjacent to the Airport and a 14 foot footpath adjacent to the built-up area, whilst along To Kwa Wan Road a 40 foot carriageway with two 10 foot footpaths was provided. Following the decking of the nullah in Boundary Street, two sections of this street were reconstructed. A length of Lai Chi Kok Road between Boundary Street and Poplar Street was reconstructed and made into a road with dual carriageways. The reconstruction scheme for Castle Peak Road between the 6 and 9½ milestones allows for a 58-foot wide roadway consisting of two footpaths, a verge and a 22-foot wide carriageway. Eventually it will be widened to permit a further carriageway and verge. The total width will then be 100 feet. It is intended that the New Territories main ring road should eventually be to this standard. The verge is to accommodate cables, services, and in particular the 48 inch diameter water main from the Tai Lam Chung Reservoir. Work was continued on the new bridge in Tsun Wan. The reconstruction of the weak bridge at Ho Chung on the Sai Kung Road was commenced in the Winter. In forming the new bridge approaches, opportunity was taken to obtain the fill from road side cuttings in a section of Sai Kung Road between Clearwater Bay Road and Ho Chung, thus widening

this section of road from the existing narrow width of approximately 10 feet to 20 feet.

New Roads: A section of new road across Aberdeen Inland Lot 72 was made up for development of the lot and for further development of the area to the North East of the lot. Java Road was extended from Tong Shui Road to the new Sand Depot at Tin Chiu Street. Other new roads constructed at the expense of property owners were the roads in Lee Garden Estate, Finnie Road at Q.B.M.L.4, Wharf Road at M.L.s 430 and 431 and Marble Road at I.L. 2918. A 30 foot wide development road leading from Stubbs Road to Shiu Fai Terrace was constructed. The second section of the "Road off Boundary Street" was completed and provided vehicle access to the resettlement flats at Tai Hang Tung. The road is 60 foot wide made up of a 22 foot carriageway. Parking and passing bays were also provided. A length of about 1,000 feet of trained nullah between Tai Hang Tung and Tai Hang Sai was decked. Most of this decking was incorporated into the 40 foot road which provides vehicle access to the most northerly resettlement flats, and eventually to the development to the north. The carriageway was made 22 feet wide and two 9 foot footpaths were provided. New roads such as Ede Road which provides access to the new Hongkong & Shanghai Bank Flats, Kowloon Tsai, access road to Chuk Un Resettlement Area and many streets in redeveloped private areas, such as Chun Tin Street, Wan Chong Street, Siu Lun Street, Hoi King Street, Chun Wing Street, Fu Kwei Street, together with a large number of streets which have not yet been given names, were constructed. To provide for vehicle access into the Asiatic Petroleum Co. Ltd.'s installation at Kun Tong, a temporary surfaced road, 3,600 feet long was constructed from the end of the jeep track at Shun Wan over the new reclamation to the Kun Tong nullah. It is built along the road reserve for future development. The road is 22 feet wide. During the year work was commenced on the construction of feeder roads to villages in the New Territories. A total of about six miles of road was constructed at Tai Po, Shap Pat Heung and Lin Fa Ti. Work was commenced on a similar road in Lantau to connect Silvermine Bay with Tong Fuk, a distance of approximately 7 miles.

WATER SUPPLY

Owing to the rapid expansion of industries and to the completion of new housing projects and large scale squatter resettlement schemes, the demand for water continued to increase. Although more than average rainfall was received, its distribution throughout the year was more than usually uneven. In consequence, for long periods it was necessary to restrict severely the hours of supply. At the beginning of the year the effects of the previous year's very low rainfall was still evident and only a 3-hour per day zoned supply was possible until the 12th May when the supply period was extended to 9½ hours per day. Owing to the excessive demand which longer hours of supply make on the reservoirs in the Tytam Valley, it was not possible to increase this supply period until the 18th July when the hours were extended to 11 per day. August marked the effective end of the wet season and maximum storage was not attained after the 10th September. The hours of supply were accordingly reduced to 7 per day on the 14th October and again to 5 per day on the 3rd November. Consumption on the 5-hour period, however, was higher than had been anticipated and on the 26th November zoning was once again introduced and the hours of supply reduced to 2½ per day, the most severe restrictions which had so far been imposed. As a result of the very early end of the rainy season, the yield of the streams had by early November fallen far below normal for the time of year and it became apparent that the severe restrictions on the hours of supply were not sufficient to

ensure adequate reserves. A rapid review of possible additional sources of supply and of the equipment available was accordingly made and it was decided that two pumping schemes offered a practical solution to the problem. Work on the first scheme was completed on the 21st December and an additional 800,000 gallons per day were supplied to Kowloon Reservoir. The second scheme was more elaborate and provided for the construction of an intake dam on the Lam Tsuen Valley stream and another on the large stream which flows into the sea to the east of Taipo Market. It involved the laying of 600 feet of 12 inch, 1,500 feet of 15 inch and 15,000 feet of 18 inch piping and the installation of five pumping stations, housing seven pumping units, to pump the water by stages over the 1,300 feet high Lead Mine Pass and into the Jubilee Reservoir. This scheme was completed in February and commenced delivering water to Jubilee Reservoir at the rate of 2½ million gallons per day towards the end of the month. By the end of March the two schemes had added 131 million gallons to the resources. During the summer months, while the reservoirs were overflowing and where filtration was adequate to meet the local demand, certain outlying districts were given a full supply.

The rainfall for the year, as recorded by the Royal Observatory, was 96.27 inches or 11.53 more than the average of 84.74 inches. This compares with an average of 93.23 inches recorded by the raingauges in the various Waterworks catchment areas. The Urban areas were supplied with 12,679 million gallons of water and the New Territories' villages with a further 404 million gallons, an increase of 2,708 and 61 million gallons respectively over the previous year. During the summer when an 11-hour supply was given the consumption averaged 48 million gallons per day for long periods, with a peak figure of 50.52 million gallons on the 2nd September. Maximum daily consumption, 54.88 million gallons (the highest ever recorded), occurred during the Chinese New Year holiday when a full supply was given from 6 a.m. on the 11th to 9 a.m. on the 13th February. It was not possible to allow a full supply during any other public holidays. During the year 2,342 additional metered services were installed on the Island and 3,908 on the Mainland, bringing the total to 50,097 of which 24,880 were on the Island and 25,217 on the Mainland.

Tsuen Wan is a rapidly expanding town situated along Castle Peak Road, approximately 8 miles from Kowloon. In recent years a number of factories, mostly for the manufacture of textiles, have been erected and many more are planned provided a supply of water can be assured. At present this area is fed from an intake in the Shing Mun catchwater. There is no storage and the quantity available during the dry season which is entirely dependent on the flow in the catchwater is totally inadequate to meet present day demand. Tsuen Wan is to be given a supply from the Tai Lam Chung Scheme as soon as water becomes available. A contract was accordingly let for the construction on a site adjacent to the new Tai Lam Chung Rapid Gravity Filters of a 5-million gallon capacity service reservoir. An indent was placed for 21, 18 and 12 inch diameter pipes for the distribution system.

The Tai Lam Chung project has been described in previous reports. A detailed contour survey of the reservoir area was completed and the maximum storage computed at 4,507 million gallons or somewhat less than the rough estimate obtained from the 1 in 20,000 ordnance sheets. The scheme will, however, still provide a maximum of 40 million gallons of potable water per day. The work in hand at the beginning of the year, which was estimated to cost \$80,000,000, would have provided a maximum of 20 million gallons of water per day. Approval, however, was obtained during

the year to complete the project at an estimated total cost of \$125,000,000.

The New Reservoir on Lantau Island involves the construction of a dam near Tung Wan to impound water in the Shek Pik Valley which is located in the south-western portion of the Island, the erection of a pumping station and high level reception reservoir at Ngau Ku Wan near Silver Mine Bay, the construction of an aqueduct to link this with Shek Pik Reservoir and the laying of twin submarine pipes to conduct the water from Ngau Ku Wan to a filtration plant to be erected at Mt. Davis on the island of Hongkong. The scheme envisaged the addition of an average of some 30 million gallons per day to the Colony's resources.

New Territories' Supply: The scheme to supply water to Cheung Chau was completed. It consisted of building a dam 34 feet high to impound approximately 30 million gallons of water, the laying of a 6 inch cement asbestos pipeline 9,400 feet long on Lantau, the laying of 4,400 feet of 6 inch steel submarine pipeline in the channel between Lantau and Cheung Chau, the construction of roughing filters, the erection of a pumphouse, the installation of two diesel pumps, the construction of a 100,000 gallon service reservoir and the laying of approximately 5,000 feet of 6 inch diameter distribution pipes. During the previous two years 9 wells approximately 40 feet deep were sunk on the island of Ping Chau. While these wells enabled the island to be self sufficient for the majority of the long dry season of 1954/55, water had to be conveyed there by boat during the month of April and it was evident that there was little hope of getting sufficient water during the dry months from wells. Work was accordingly commenced on the construction of a small dam to impound approximately 500,000 gallons which is the maximum possible storage which the configuration of the ground would permit. The irrigation work carried out so far has aimed at utilizing available water to better advantage and preventing leakage by the construction of diversion dams, the lining with concrete of irrigation channels and the development of underground springs. Very little had been done to provide additional water. During the previous year preliminary investigations were carried out and a programme of work to be undertaken over two years prepared. It contained items for the construction of two dams, one at Hung Shui Hang to impound 26 million gallons of water and one at Lo Foo Hang to impound 24 million gallons of water. Detailed drawings were prepared and contracts let for their construction.

KAI TAK AIRPORT

The contract for the first stage in the development of the new airport was awarded to the Societe Francaise d'Entreprises de Dragages et de Travaux Publics, with Messrs. Gammon (Malaya) Ltd. as their main Sub-contractors. The division of work between these two firms provided for all dredging operations and the construction of the low half of the seawalls to be undertaken by the Societe Francaise, and for Messrs. Gammon (Malaya) Ltd. to construct the upper half of the walls, the pavements and the drainage, and to excavate the Kowloon Hills in the approach to the new runway. Government appointed Mr. A. W. C. Villiers as Chief Resident Engineer for the scheme, with Mr. H. D. Butterworth as Resident Engineer in charge of marine works, and Mr. G. Wilson as Senior Assistant Resident Engineer in charge of land works. From August to January the Contractors were engaged in building up their organization of personnel and plant and undertaking preliminary work. The plant came from a variety of sources—two large bucket dredgers and a floating crane were towed from Southern France; a fleet of 9 tugs, 10 barges and 4 pontoons were fabricated in Hongkong dock-

HONGKONG STATISTICAL REPORTS

October 1956

Vital Statistics:			Hongkong Clearing House Figures:		
	October	Total (Jan.-Oct.)	August	September	October
Birth	9,575	77,775	\$1,244,991,243	\$1,209,862,358	\$1,234,518,186
Death	1,525	16,241			
Retail Price Indices:			Banknotes in Circulation:		
	Oct. 1956	Oct. 1955 (March 1947: 100)		October	
Food (including drink)	138	122	The Hongkong & Shanghai Banking Corporation	\$675,742,000	
Rent	119	119	The Chartered Bank	49,704,100	
Clothing (including footwear) ..	91	90	The Mercantile Bank of India, Ltd.	4,315,600	
Fuel	99	90	Total	\$729,761,700	
Electric Light	59	60			
Cleaning	93	90			
Education	140	140			
Tobacco & Cigarettes	113	113			
Doctors & Medicines	105	106			
Fares	100	100			
Household Equipment	110	111			
Hair Dressing	122	122			
Newspapers & Stationery	153	153			
Shoe Repairs	78	78			
Rates	100	100			
General Retail Price Index	125	116			

yards; the machinery for a grab-dredger and two cutter-suction dredgers were shipped from the U.S.; a fleet of tipping lorries was shipped from England and bodies for these were fabricated in Hongkong; excavators, bull-dozers and a variety of other plant came from Singapore, England and the U.S.; another floating crane and 3 flat-topped barges were purchased in Hongkong. From January onwards, this plant came progressively into operation, and all but a few items were working by the end of March. Small-scale excavation of the Kowloon Hills commenced on 26th December but a high output was not achieved until after the 9th March when the fenced access route from the hills to the reclamation was completed and opened to the Contractors' lorries. By the end of March some 180,000 cubic yards of material from the hills had been placed in the reclamation. The first bucket dredger commenced mud-stripping on 6th February and by the end of March it and the grab-dredger had removed about 300,000 cubic yards of mud. The second bucket dredger started on sand dredging on 5th March, and had dredged about 153,000 cubic yards by the end of the month. The contract as a whole had got under way ahead of programme. The completion date is 28th August, 1958. Some changes were made in the layout of the new airport, notably the addition of an extra 1,140 feet of runway at the landward end to give a total length of 8,340 feet for take-off, and a redesign of the terminal area to reduce the extent of reclamation inshore.

EXPENDITURE

The total expenditure during the year amounted to \$123,490,000 as compared with \$82,845,000 in 1954/55. Approximately \$81,434,000 was spent on major public works and \$18,629,000 on recurrent maintenance works. Salaries and other administrative costs accounted for some \$18,646,000.

Building Constructions in October:		
	Number	Cost in HK\$
City of Victoria—		Building Site Work
Factories and Godowns	1	10,350 2,270
Houses and Flats	17	1,766,253 —
Other (including mixed accommodation)	4	1,280,134 97,478
Island outside Victoria—		
Factories and Godowns	5	87,920 3,500
Offices and Shops	2	27,140 —
Houses and Flats	44	3,899,182 53,875
Other (including mixed accommodation)	6	461,158 —
Kowloon and New Kowloon—		
Factories and Godowns	4	201,000 11,500
Houses and Flats	61	4,604,864 182,568
Other (including mixed accommodation)	13	1,776,350 21,728
Total (October 1956)	157	14,114,351 372,919

yards; the machinery for a grab-dredger and two cutter-suction dredgers were shipped from the U.S.; a fleet of tipping lorries was shipped from England and bodies for these were fabricated in Hongkong; excavators, bull-dozers and a variety of other plant came from Singapore, England and the U.S.; another floating crane and 3 flat-topped barges were purchased in Hongkong. From January onwards, this plant came progressively into operation, and all but a few items were working by the end of March. Small-scale excavation of the Kowloon Hills commenced on 26th December but a high output was not achieved until after the 9th March when the fenced access route from the hills to the reclamation was completed and opened to the Contractors' lorries. By the end of March some 180,000 cubic yards of material from the hills had been placed in the reclamation. The first bucket dredger commenced mud-stripping on 6th February and by the end of March it and the grab-dredger had removed about 300,000 cubic yards of mud. The second bucket dredger started on sand dredging on 5th March, and had dredged about 153,000 cubic yards by the end of the month. The contract as a whole had got under way ahead of programme. The completion date is 28th August, 1958. Some changes were made in the layout of the new airport, notably the addition of an extra 1,140 feet of runway at the landward end to give a total length of 8,340 feet for take-off, and a redesign of the terminal area to reduce the extent of reclamation inshore.

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Kowloon-Canton Railway

(British Section):

Passengers:	October	Total (Jan.-Oct.)
Upward	187,610	1,872,572
Downward	191,767	1,852,465
Concession Tickets ..	11,542	150,863

Freight:

Upward	1,307,210 kgs	16,086,990 kgs
Downward	14,642,930 kgs	153,741,160 kgs

Total Number of Vehicles and Drivers Licensed:

Vehicles:	In	Total on
	October	Oct. 31
Trams	—	138
Motor Cycles	47	1,744
Private Cars	343	19,152
Taxis	5	344
Public Hire Cars	13	283
Motor Buses	8	629
Public Commercial Lorries	14	1,394
Private Commercial Lorries	36	2,004
Government Cars & Lorries	28	829
Lorries (Kai Tak Airport Devel.)	—	76
Lorries (Construction Site)	6	295
Rickshaws (Private)	—	24
„ (Public)	—	853
Public Chairs	—	6
Tricycles (Goods)	1	791
Trailers	—	8
Drivers:		
Motor Car Drivers	996	59,481
Const. Site Drivers	7	390
Driving Instructors	105	412
Rickshaw & Tricycle Drivers	38	3,703

SHIPPING**FOREIGN TRADE CONDUCTED BY JUNKS AND LAUNCHES UNDER 60 TONS**

	October		Total (Jan.-Oct.)	
	Inward	Outward	Inward	Outward
Tonnage of Cargo: Junks ...	81,241	16,671	767,124	71,355
Tonnage of Cargo: Launches .	4,153	935	38,255	13,536
Total	85,394	17,606	805,379	84,891
Tonnage of Vessels: Junks ..	90,656	88,811	946,035	942,791
Tonnage of Vessels: Launches .	8,995	9,063	87,320	87,113
Total	99,651	97,874	1,033,355	1,029,904

COMMERCIAL CARGO TONNAGES

	October		Total (Jan.-Oct.)	
	Discharged	Loaded	Discharged	Loaded
Ocean-going Vessels (tons) ..	331,698	127,770	2,958,634	1,472,213
River Steamers (tons)	1,257	1,303	9,977	13,758
Total (tons)	332,955	129,073	2,968,611	1,485,971

AVIATION**Arrivals and Departures of Aircraft, Passengers and Freight at Kai Tak**

	Total	
	October	(Jan.-Oct.)
Aircraft:		
Arrivals	334	3,070
Departures	335	3,069
Total	669	6,139
Passengers:		
Arrivals	8,436	68,813
Departures	9,090	75,740
Total	17,526	144,553
Freight:		
Imports (kilogrammes)	64,761	600,695
Exports (kilogrammes)	213,115	1,706,831
Total	277,876	2,307,526

HONGKONG'S TRADE WITH OTHER COUNTRIES IN EAST ASIA

	Imports				Exports			
	October		Total (Jan.-Oct.)		October		Total (Jan.-Oct.)	
	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade	\$	% of Total Trade
Burma	1,487,506	.39	30,418,896	.80	2,494,469	1.07	21,198,500	.80
Ceylon	400,122	.10	3,305,744	.09	651,228	.28	12,637,711	.48
Cambodia, Laos & Vietnam	5,428,377	1.42	53,539,672	1.41	11,061,692	4.75	121,212,319	4.58
India	1,815,263	.48	45,192,602	1.19	1,863,374	.80	17,970,139	.68
Pakistan	7,622,994	2.00	89,735,256	2.37	345,445	.15	4,624,529	.17
Malaya	9,645,187	2.52	134,452,331	3.55	27,777,953	11.93	304,697,974	11.51
Philippines	4,206,739	1.10	29,460,223	.78	5,076,790	2.18	38,181,603	1.44
Thailand	17,600,566	4.61	159,091,033	4.20	20,920,870	8.98	271,285,354	10.25
Indonesia	15,963,980	4.18	41,124,064	1.08	8,023,633	3.44	440,517,820	16.64
China	84,637,589	22.15	840,606,503	22.17	12,378,898	5.32	103,802,571	3.92
Formosa	5,028,678	1.32	42,835,158	1.13	4,018,731	1.73	38,998,872	1.47
South Korea	286,122	.07	11,610,433	.31	10,330,208	4.44	105,783,040	4.00
Total Trade of Hongkong	382,025,378	100	3,790,919,313	100	232,869,644	100	2,647,223,463	100

FINANCE & COMMERCE

HONGKONG EXCHANGE
MARKETS

Date	U.S.\$		Notes	
	High	Low	High	Low
31/12	\$616 ¹ / ₂	615 ¹ / ₂	618 ¹ / ₂	612 ³ / ₄
1/1	H O L I D A Y			
2/1	616	616 ¹ / ₂	614	613
3/1	620 ¹ / ₂	617	618 ¹ / ₂	614
4/1	620	618 ¹ / ₂	617 ¹ / ₂	614 ¹ / ₂
5/1	619	618 ¹ / ₂	616	615 ¹ / ₂

D.D. rates: High 618 Low 613.

Highest and lowest for 1956 were: T.T. 650 and 582¹/₂, and Notes 647¹/₂ and 580¹/₂. Highest and lowest in December were: T.T. 633¹/₂ and 612, and Notes 633¹/₂ and 605.

Trading totals last week: T.T. US \$3,020,000; Notes cash US\$730,000, forward US\$2,390,000; D.D. US\$680,000. The market was steady in line with the movement of cross rates in New York. In the T.T. sector, trading was very active but in the Notes market, speculative buying reduced. Interest for change over favoured sellers and aggregated HK\$2.95 per US \$1,000 and positions taken averaged US\$2¹/₂ million per day. In the D.D. sector, overseas Chinese remittances further increased.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.745—1.73, Japan 0.015—0.0149, Malaya 1.882—1.879, Vietnam 0.06, Thailand 0.284. Sales: Pesos 310,000, Yen 118 million, Malayan \$340,000, Piastre 12 million, and Baht 3 million.

Agreed Merchant T.T. rates: Selling and buying per foreign currency unit in HK\$: England 16.202—15.867, Australia 13.016—12.757, New Zealand 16.202—16.10, United States 5.839—5.755, Canada 6.0606—5.9701, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.8868—1.8692. Selling per foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.3278, Belgium 0.11655, West Germany 1.3889.

Chinese Exchange: Official rates for People's Bank Yuan remained at 6.839 per Pound, 0.427 per HK\$, 0.805 per Malayan \$, 0.514 per Indian or Pakistan Rupee, 0.585 per Swiss Franc, and 2.345 per US\$; cash notes quoted at HK\$1.50—1.45 per Yuan. Taiwan Bank Dollar also unchanged at 15.65—15.55 per US\$ and 2.74—2.72 per HK\$; cash notes were HK\$163.50—161.50 per thousand, and remittances 154—152.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 15.94—15.92, Scotland 14.00, Ireland 14.00, Australia 12.75, New

Zealand 14.67—14.62, Egypt 11.00, East Africa 15.20—15.10, West Africa 13.50, South Africa 16.10, Jamaica 14.00, Fiji 10.50, India 1.184—1.18, Pakistan 0.89—0.88, Ceylon 0.97, Burma 0.49, Malaya 1.847—1.84, Canada 6.385—6.335, Cuba 5.20, Argentine 0.17, Brazil 0.72, Philippines 1.83—1.805, Switzerland 1.40, West Germany 1.40, Italy 0.00935, Belgium 0.11, Sweden 1.00, Norway 0.70, Denmark 0.77, Netherlands 1.50, France 0.0148—0.01475, Vietnam 0.06275—0.0615, Laos 0.06—0.059, Cambodia 0.0805—0.0795, North Borneo 1.60, Indonesia 0.175—0.169, Thailand 0.2775—0.274, Macau 0.995, Japan 0.01525—0.0151.

GOLD MARKET

Date	High .945	Low .945	Macau .99
31/12	\$266 ³ / ₄	265 ³ / ₄	Low 276
1/1	H O L I D A Y		
2/1	266 ³ / ₄	266 ¹ / ₄	
3/1	270 ¹ / ₄	266 ³ / ₄	
4/1	271	268 ³ / ₄	
5/1	269 ¹ / ₂	268 ³ / ₄	279 ³ / ₄ ; High

The opening and closing prices were 266¹/₄ and 269¹/₂, and the highest and lowest for 1956 were 287 and 252¹/₂, and for December were 274¹/₂ and 261¹/₂. The market was steady last week and prices worked higher on both steady US\$ exchange rates and better export demand. Interest for change over favoured sellers and aggregated HK\$ 2.00 per 10 taels of .945 fine. Tradings averaged 9,800 taels per day and totalled 49,000 taels for the week, in which 16,200 taels were cash transactions (6,600 taels listed and 9,600 taels arranged). Imports were all from Macau and amounted to 8,500 taels. Exports totalled 12,500 taels (6,500 taels to Singapore, 4,000 taels to Indonesia, 1,500 taels to Vietnam, and 500 taels to Korea). Differences paid for local and Macau .99 fine were HK\$13.50

—12.80 and 12.00—11.80 respectively per tael of .945 fine. Cross rates were US\$37.72—37.70 per fine ounce, and 48,000 fine ounces were contracted at 37.70 C.I.F. Macau. US double eagle old and new coins quoted at HK\$280—278 and 237—236 respectively per coin and Mexican gold coins at 288—286 per coin.

Silver Market: 500 taels of Bar silver were traded at HK\$5.90—5.85 per tael; 500 dollar coins at HK\$3.78—3.77 per coin; and twenty-cent coins quoted at 2.90—2.85 per five coins.

Money Market: The market last week was quiet and undertone easy; interest rates were 6% p.a. for letters of credit; 8% to 10% p.a. for short term loans and 10% to 15% for long term credits. Banks had a good year and market condition in 1956 was better than that of the previous year. Fluctuations of US\$ and gold during the second half year provided good profit for native banks and exchange shops, particularly those traded in T.T. Membership cards for the Exchange Market raised from HK\$4,500 to HK\$6,500 each; the Exchange declared a dividend of HK\$200 per member at the end of 1956.

HONGKONG SHARE
MARKET

Due to the easing of world tension and the peaceful outlook for 1957, trading in the local stock exchange improved after the holidays and averaged \$550,000 a day. HK Banks which had been dull for over a month, were very popular last week; 196 shares changed hands and quotations recovered by \$60 to 1665. Wheelocks went up to 7.30 after the company had announced an interim dividend of 3¹/₂ cents on old

Shares	Dec. 28	Highest	Last Week's Rates		Ups & Downs
			Lowest	Closing	
HK Bank	1605	1665	1605	1665	+ \$60
Union Ins	960 s	950	940	950	—\$10
Wheelock	7.20	7.30	7.25	7.25	+5c
HK Wharf	92 b	93	92 b	93	+ \$1
HK Dock	48	48.50	48	48.50	+50c
Provident	13.80 s	14 s	13.70	14 s	+20c
Land	61.50	62.50	61.50	62.50	+ \$1
Realty	1.875 n	1.875	1.85	1.375	firm
Hotel	16	16.20	16.10	16.20	+20c
Tram	23.30	23.70	23.50	23.70	+40c
Star Ferry	141	143 s	141	143 s	+ \$2
Yaumati	102 b	104	103	103	+ \$1
Light	23.50	23.80	23.70	23.70	+20c
Electric	31.50	31.75	31.50	31.75	+25c
Telephone (o)	24.60	24.70	24.70 b	24.70	+10c
Telephone (n)	23.70	23.90	23.70	23.80 s	+10c
Cement	38.25	39	38.50	39 s	+75c
Dairy Farm	15.30	15.40	15.30	15.40	+10c
Watson	13.20	13.60	13.50	13.60	+40c
Amal Rubber	1.525	1.65	1.525	1.55	+2 ¹ / ₂ c

shares; some investors are expecting a final dividend of another 37½ cents but at the close last week profit taking forced the price down to 7.25. Cements improved to 39 because the earning power of the company is good with its products enjoying steady local consumption and very strong demand from SE Asia. Union Ins. first declined to 940 but later recovered to 950 and closed \$10 lower than the previous week. Investment companies and cottons were dull but interest in other shares was keen and closing rates were better than those for the week before.

Monday: Prices were firm on the closing day of 1956. The turnover amounted to \$740,000. **Tuesday:** Holiday. **Wednesday:** Sentiment appeared better with prices showing further slight improvement under the leadership of Hongkong Banks. The turnover amounted to \$200,000. **Thursday:** Hongkong Banks, Lands, Electrics and Cements provided the bulk of the turnover which amounted to \$985,000. **Friday:** Quiet conditions prevailed on the closing day of the week and the turnover amounted to \$517,000.

HONGKONG STOCK EXCHANGE IN DECEMBER

Only a moderate volume of business was reported during the month and most prices were fractionally lower.

Announcement by the Hongkong & Whampoa Dock Company of a proposed bonus of \$5 per share to be paid in 1957, subject to satisfactory completion of the sale of a portion of land, raised the price of these shares but not to the full extent of the proposed bonus. At the close of business the market remained steady.

Banks & Insurances: The local price of Hongkong Banks followed the trend of the London market and closed at a higher level than the opening rate with only moderate trading reported. Activity in Union Insurance shares was restricted with shares changing hands from \$965 to \$955. **Investment Companies:** Light scale trading was reported in Yangtszes and Hongkong & Far Easterns. **Shipping:** Wheelocks registered price increases with a fair volume of business reported between \$6.65 and \$7.20 for the old shares. Asia Navigations were dealt in at \$1.10 and \$1.15. Other shares in this group were neglected. **Docks & Wharves:** H.K. & Whampoa Dock shares came in for attention and buyers were compelled to raise their bids and shares changed hands from \$44½ to \$48. A moderate demand set in for China Provident shares with fractional price changes. **Lands & Hotels:** Light scale trading was reported in Hongkong & Shanghai Hotel and Hongkong Land shares with no great fluctuations in prices. Sales of Shanghai Lands were greater than has been recorded for some time while transactions in Realty shares fell off. **Public Utilities:** Shares in this group maintained their popularity and although the quantity of shares changing hands was less than in the previous month, fractional increases

were recorded in most counters. **Industrials:** Apart from Metal Industries and Cements, transactions in other shares in this section were negligible. **Stores:** Business reported in this group was moderate with Dairy Farms and Watsons in the lead, followed by Sinceres. **Miscellaneous:** Transactions reported in this section were negligible. **Cottons:** Only moderate trading was reported in Textiles and Nanyangs. **Rubbers:** Amalgamated, Ayer Tawah and Rubber Trusts came in for some attention but the volume of business reported in this group called for no comment.

Dividend and other announcements were made by Hongkong & Whampoa Dock Co., Ltd., Nanyang Cotton Mill Ltd., Ayer Tawah Rubber Plantation Co., Ltd., Sungala Rubber Estate Ltd. and Wheelocks.

Business in December: \$11,657,662.
Business in 1955: \$333,189,500. Business in 1956: \$211,002,275. Business in December 1955: \$14,897,827.

BUSINESS REPORTED IN DECEMBER

	Qty. of Shares
H.K. Bank	\$398
Bank of East Asia	32
Lombard Insurance	1,000
Union Insurance	139
Allied Investors	250
Yangtze	8,543
H.K. & Far East Inv.	4,400
Union Waterboats (O)	200
Asia Navigation	17,700
Wheelock Marden (O)	98,300
" (N)	5,044
Wharf Co.	621
G. Providents	8,911
Shanghai Dock	200
H.K. Docks	17,066
H.K. Mines	30,000
H.K. & S. Hotels	49,064
H.K. Lands	15,101
Shanghai Lands	22,622
Realty	61,125
H.K. Trams	22,212
Star Ferry	1,100
Yaumati Ferry	3,273
China Lights	69,812
H.K. Electric	55,309
Macao Electric	1,000
Telephone (O)	28,176
" (N)	15,737
Cements	11,780
Ropes	400
Metal Industries	7,300
Dairy Farms	39,589
Watsons	6,791
Sincere	5,968
Sun Co.	200
Kwong Sang Hong	18
China Entertainment	100
Vibro Piling	325
Textiles	8,000
Nanyang Mill	8,500
Rubber	
Amalgamated Rubber	241,340
Ayer Tawah	61,244
Java-Consolidated	10,000
Langkat	300
Rubber Trust	78,093
S'hai Kelantan	3,000
S'hai Sumatra	2,200
Sungala	792

SINGAPORE SHARE MARKET

December 21—28, 1956

The week's business was transacted during two and a half days and although market closed quietly after Christmas, at the close activity returned to the pre-holiday high level. Industrials and Tins were steady while Rubbers, although quiet, had a number of rises.

Featured in the Industrial market were Fraser & Neave at \$2.40 and Hume Industries with business at A.6/1½. Straits Traders were firm with buyers at \$26½ but due to lack of scrip little business eventuated. Metal Box were in demand at \$1.67½, Singapore Cold Storage at \$1.52½ and Malayan Breweries at \$2.90. Hammers recovered to \$1.55 and United Engineers to \$9.35 buyers.

Activity in Aokam Tin continued—the grab dredge is expected to start operating next month. Speculation on liquidation prospects raised Klang River to \$1.42½ buyers. Sungai Way after their continuous rise met considerable profit taking and closed \$1.45 sellers.

Lower Perak recovered to 16/6 buyers and Pungah touched 9/6. With Australian markets closed and no scrip available locally, Teluapa rose to 14/9 bid.

Kamunting Tin and Malayan Tin had local exchanges at 10/3 and 15/1½ respectively. London accepted Ampat Tin at 9/10½ and Meru Tin on the more widespread rumour of a rich strike spiralled to 1/11.

In the Rubber section there was increased business in London registered Companies, mostly connected with takeover prospects. Many of these estates are capitalised per acre at a figure considerably below what local buyers would willingly pay.

Due to lack of offerings the local Loan market was quiet. There was increased investment in British Funds.

HONGKONG AND FAR EASTERN TRADE REPORTS

Trading in the local commodity market during the first week this year lacked the buoyancy of the past month because (1) SE Asia slowed down purchases from here with the approach of the Chinese New Year; (2) Seoul issued only a small number of import licences; and (3) Europe, UK and other countries provided only selective demand for China produce. The tight money here forced some metal importers to liquidate spot goods but prices in general were very firm on account of the increased replenishment

cost and the absorption by China and speculators whenever market prices dropped below new indent quotations.

On Wednesday, London Lloyd's Underwriters reduced rates for war risk insurance on cargoes for Middle Eastern countries to 5s per £100. The rates had been increased to between 11s 6d and 12s per £100 last October. The premium for vessels travelling to China ports north of Canton up to and including Manchuria, Port Arthur and Dairen (excluding Formosa and Korea) is now 4s per £100. For direct shipments between Shanghai and ports north of Shanghai, Japanese, Korean and Russian Pacific ports the premium is 2s 6d per £100.

China: The Products Exhibition in Canton closed yesterday (January 9). During the past fortnight, businessmen from UK and Europe bought more egg products, woodoil, feathers and other staples at the exhibition. A Calcutta businessman returned here last week after he had purchased £20,000 worth of Tientsin-made bicycle accessories. In Peking, China and Yugoslavia signed a trade protocol extending the Sino-Yugoslav trade and payments agreement for another year and covering additional two-way trade worth £7 million. In Colombo, China and Ceylon signed contracts covering 50,000 metric tons of sheet rubber and 270,000 metric tons of Chinese rice. China will pay premiums over the monthly average market price for rubber in Singapore. Under the rice contract, Ceylon will pay £30/7/6d per metric ton fob Chinese ports not including the cost of bags. To the local market, China shipped more staples and foodstuffs but from here bought only selective items of metals when prices were forced down by selling pressure.

Japan: 9 Japanese firms which got permission from authorities in Singapore to open branches there are the Bank of Tokyo, Bridgestone Tyre Company, Dai Ichi Bussan, Goshu Company, Mitsubishi, Nichimen Jitsugyo Company, Sumitono Shoji Company, Toyo Menka Company, and Marubeni Iida. Cargo movements between HK and Japan remained active. Imports consisted chiefly of paper, printing machinery, glass, cotton and other textiles, toys and sundries. Exports of scrap iron, beans, rosin, silk waste and other China produce totalled about 3,000 tons during the week. Booking of new supplies from Japan by local dealers slowed down because indents had advanced considerably while delivery dates for items such as tinplate and paper were too remote to interest prospective buyers.

UK and Europe: Many UK businessmen recently opined that in view of Peking's attack on London during the recent Suez crisis there would not be much possibility for UK to sell more exports to China even if the embargo

is lifted. It is true that if Peking could get any particular item at cheaper price from Japan or from any other country, she would not buy it from UK. However, it is equally definite that Peking would still buy heavy machinery from UK even if she is already involved in an open conflict with UK. Exports from here to Europe and UK last week were slower after recent heavy consignments to these destinations. Imports of metals, plastic moulding compound, paper, rayon and woollen textiles, machinery and equipment, pharmaceuticals, wines and provisions, toys, dyestuff, photo supplies and automobiles from UK and Europe exceeded 15,000 tons during the week.

U.S.A.: Exports to US last week were chiefly HK-produced Chinese style foodstuffs including a consignment of canned water chestnuts. This item is now in seasonal demand and 3,000 cases are scheduled for shipments in January.

South America and Canada: South America shipped here 2,000 bales of cotton together with some canned meat. Canada circulated enquiries for selective items of China produce in the local market.

Indonesia: Exports from here to Indonesian ports outside Sumatra were not affected by the disturbances on that island. However Indonesia's purchases from here slowed down after the holidays because Djakarta issued only a small number of import licences last week. Imports of beans and other staples from Indonesia were curtailed because these products came from Sumatra. Meanwhile, Djakarta was considering to exempt the surtax on imports of factory materials. Furthermore, applicants for such imports would not be required to pay import deposits. The classification list for imports might also be revised.

Thailand: Thai rice continued to reach here in substantial quantities. Other imports included Thai groundnut oil, sesame, beans, maize, groundnut kernel, starch, feather and live cattle. Exports to Bangkok totalled 3,000 tons with 3,000 more tons scheduled for shipments this week. About half the tonnage consisted of Chinese light industrial products and foodstuffs.

Korea: There were more enquiries than orders from Seoul for paper and other items because buying offers in many cases were low and spot goods here short. Local dealers were expecting more orders from Seoul for rayon and fibre yarn.

Taiwan: Taipei earmarked US\$10 million for general imports during January and February 1957; no order reached here last week. To HK, Taiwan shipped about 300 tons of tea, peppermint oil, ginger, feather, citronella oil and 900 tons of granulated sugar. Next month, Taiwan will

send a trade delegation to SE Asia to promote exports of Taiwan products.

Singapore & Malaya: Dealers here were rushing sugar, foodstuffs, joss paper and sticks, and other sundries to Singapore and Malaya to meet the demand there before the Lunar New Year.

The Philippines: Manila reduced the 1957 import quota for cotton textiles on account of the adequate stock there of Japanese cotton piecegoods and in order to protect her domestic industry. Meanwhile, Manila extended the validity of export licences issued to exporters there covering shipments of barter goods to HK to end of March. Exports of mangoes are extended to end of May.

Cambodia, Laos and Vietnam: There were more enquiries from these states for machinery, industrial chemicals, metals and textiles but transactions were handicapped by low buying offers. Imports of feather, bean, sesame, sundry provisions and scrap iron from Cambodia remained active.

India and Pakistan: New Delhi announced that during the first six months this year, India would curtail imports by 300 million rupees; 500 non-essential imports would be restricted. Meanwhile importers in India bought large quantities of cassia lignea and broken cassia from the local market. Pakistan shipped here about 3,000 bales of yarn and 1,100 bales of raw cotton. New indents for yarn were marked up.

Burma & Ceylon: In addition to 500 tons of Chinese foodstuffs and HK light industrial products shipped direct to Rangoon, about 1,000 tons were sent there via Singapore. To Colombo, dealers here shipped about 100 tons of ginger, cotton textiles, plastic products and other HK goods.

Africa: One French vessel left here for Madagascar, Algiers, Casablanca, Tangier and other African ports with 1,000 tons of HK products including enamelware, hurricane lantern, cotton and rayon textiles, rattanware, vacuum flasks, torch, rubber footwear and plastic products. This was the first sizable shipment to African ports after the close of Suez Canal.

North Borneo: 1,200 tons of timber and rubber reached here from North Borneo and in return, HK sent there 1,500 tons of building materials, foodstuffs, sundry items and HK products.

China Produce: Demand from Japan, India and other sources was selective while supply from China and Southeast Asia was adequate. Cassia Lignea and broken cassia retained very strong demand from India; prices advanced when stock dwindled. Trading in beans was active with Japan favouring white pea, long bean and red bean while

Singapore absorbed soya bean and Canada bought green pea. West Germany was particularly interested in feathers, France favoured hog casing and UK enquired for egg products in spite of the fact that UK and European businessmen recently bought substantial quantities of egg products, woodoil, feathers and other items from the Exhibition in Canton. Prices in general were firm but groundnut kernel eased under heavy supply from China and Philippines while soya bean oil declined after large consignments had reached here from Japan.

Metals: Large quantities of steel bars and other items reached here from UK and Europe last week. Liquidation by some importers under pressure of tight money forced prices of steel bars slightly down; however absorption by China, SE Asia and speculators kept prices from further decline. Towards week-end, demand from China and SE Asia slowed down probably on account of the approaching Lunar New Year. Prices were firm because cost of replenishment remained high. China was also interested in galvanized iron pipe but spot goods here were almost exhausted. Japan remained keen in scrap iron and prices were firm. Tinplate advanced considerably because indents from UK, Europe and Japan further marked up and stock here dwindled. Aluminum ingot was firm because Canada's 1957 export quota for HK is 3,000 tons which is only about 50% of HK annual consumption. Factories here would have to get the other 3,000 tons from Japan at a much higher price than Canadian quotations.

Paper: Trading was slow because Seoul issued only a small number of import licences while demand from Thailand and other SE Asian countries was handicapped by low buying offers. Newsprint in reel retained strong demand from Korea but stock here was short, offers from US and Canada were few and indents from Chinese, European and Japanese products further advanced. Newsprint in ream of Chinese origin enjoyed very steady local consumption and demand from Cambodia and Thailand. Korea was also interested in woodfree, m.g. white and pure sulphite, transparent cellophane, aluminum foil and duplex board; Thailand in m.g. cap, flint and aluminum foil; Cambodia in art printing, woodfree, manifold, and duplex board; and South Vietnam in woodfree, m.g. ribbed kraft, unglazed kraft and m.g. cap.

Industrial Chemicals: With the approach of the Chinese New Year, local factories slowed down purchasing of sodium hydrosulphite, caustic soda, calcium hypochlorite and other chemicals. Demand from Cambodia and other sources was selective and weak. Petroleum eased under selling pressure; shellac depressed by marked-down indent; zinc oxide and lead oxide declined under heavy arrival from China

and Australia respectively. On the other hand, lithopone and soda ash improved on higher indents and sodium bicarbonate firmed on low stock.

Pharmaceuticals: Korea, India, SE Asia provided selective demand for atophan tablets, sulfonamides, quinine powder, sodium benzoate, glucose powder, PAS, vitamin B1 and vitamin C powder but the quantities involved were very small. Selling pressure forced down prices for penicillin tablets, dihydrostreptomycin, isoniazide tablets and saccharine crystal because new arrivals were expected while demand failed to improve.

Cotton Yarn: Trading in spot goods was dull. HK products were short because factories here were booked till June this year. Pakistan yarn continued to reach here in large quantities; prices were firm on marked-up indents but dealers here slowed down the booking of new supplies.

Cotton Piece Goods: HK weaving mills were busy with orders from UK, Australia, Indonesia, Singapore and US and local products were difficult to obtain from the spot market. Japanese grey sheeting declined due to the lack of demand but white shirting steady on enquiries from Laos. Chinese grey cloth was also weak but drill attracted orders from local garment industry and white shirting retained demand from Haiphong.

Rice: Imports from Thailand remained very heavy last week but prices were firm on steady local demand and increased Thai indents. Chinese grades were firm on low supply. Local consumption remained normal; fluctuations in the local rice market will not be sharp.

Wheat Flour: Trading was very slow but prices for imported brands were firm on increased replenishment cost. HK products were marked up on account of the higher prices for wheat.

Sugar: Taiwan sugar retained strong demand from Singapore but heavy arrival forced prices down. However, towards week-end speculators began buying on account of the increased sugar price on the international market. Prices were very firm at week-end especially when Taiwan withdrew offers for new supply. Taikoo granulated and Philippine brown followed the fluctuation of Taiwan sugar and closed firm at week-end. Japanese granulated was firm on low stock and Thai malt sugar steady on local demand.

Cement: Chinese cement was firm at \$115 per metric ton cif HK forward; spot goods were quoted \$117.50 per m.t. Japanese cement improved to \$117 per m.t. cif HK and \$119 per m.t. delivered to the construction site.

Supply from both sources was curtailed. HK Green Island products retained steady demand from SE Asia and local contractors.

Sundry Provisions: Exports to Singapore, Thailand, Vietnam and other SE Asian countries were heavy on account of the approaching Lunar New Year but supply from China, Taiwan, Japan and other sources were more than adequate. As a result, water melon seeds, red date, violet seaweed, bamboo shoots dried, and mushroom declined slightly. On the other hand lotus seed and vermicelli improved on limited supply. Other popular items were olive seed, lily flower dried, apricot seed, bean tick, black fungus, ginkgo, ham, lungi, a dried and black moss. Local demand should improve during the next two weeks.

Gunny Bags: Dealers here booked more gunny bags from India to meet the demand from Bangkok for used bags and from Haiphong for new ones.

Fresh Eggs: Short supply forced retail price of hen eggs up to \$1 for 3 eggs. Singapore's recent purchase of \$5 million worth of eggs from here had probably caused the shortage.

December Trade Figures: HK Exports in December totalled \$296,653,358 and imports amounted to \$388,638,196. The estimated total value of trade for the year 1956 is \$7,775,809,559 representing an increase of \$1,522.9 million over that for 1955; imports were higher by \$847.3 m and exports up by \$675.6 m.

HONGKONG COMPANY INCORPORATIONS

The following new private companies were incorporated in Hongkong during the fortnight ended November 24, 1956:—

Luen Tung Yick Investment and Mortgage Company, Limited: Nominal Capital, HK\$1 million; Registered Office, 51 Nanchang Street, Kowloon; Subscribers, Ng Yee Lok, 225 Tung Choi Street, Kowloon, Merchant; Ng Dick Chan, same address, Merchant.

Kingland Estates Limited: To invest in land; Nominal Capital, HK\$1 million; Registered Office, Room 229 Prince's Building, Hongkong; Subscribers, Li Hong Chit, 64 Fort Street, Hongkong, Merchant; Lam Fung Ngor, 52 McDonnell Road, Hongkong, Married Woman.

Tai Lee Realty Company Limited: Nominal Capital, HK\$600,000; Registered Office, Henry House, Hongkong; Subscribers—Lee Wing Yuen, 163 Wanchai Road, Hongkong, Building Contractor; Hui Kwong Chiu, 255 Hennessy Road, Hongkong, Merchant;

Cheung Fook Sang, 545 Hennessy Road, Hongkong, Merchant; Chan Yuk Wa, 7 Pak Sha Road, Hongkong, Merchant; Leung Shun Kin, 545 Hennessy Road, Hongkong, Married Woman.

J. H. Trachler (Hongkong) Limited: Exporters and importers; Nominal Capital, HK\$500,000; Subscribers—W. C. R. Carr, 23 Shouson Hill Road, Hongkong, Solicitor; Harold Caine, 33 Dina House, Hongkong, Solicitor.

Chan Pui Wo Company Limited: To establish schools; Nominal Capital, HK\$30,000; Registered Office, 2-6 Yee Wo Street, Hongkong; Subscribers—Liang Pei Yao, 12 Granville Road, Kowloon, Married Woman; Mary Liang Ho Yuen Wo, Hill Cottage, Aberdeen, Married Woman.

CHINA LIGHT AND POWER CO. LTD.

At the annual meeting held here on December 12, Mr. Horace Kadoorie, Chairman, reported: During 1955, 539 new factories were connected to the Company's supply system. The increase in the number of consumers can be directly associated with the development on the Kowloon peninsula. Air-conditioning is becoming increasingly popular, and is now a substantial factor in our load during the summer months.

To give some indication of the industrial development, an analysis of the 539 new factories is given below.—Watch cases and straps 11; dyeing 16; engineering and allied trades 71; knitting and weaving 90; clothing 53; saw mill, timber yards, etc. 24; bakery 6; rubber 20; plastic 32; metalwork 31; hardware and enamel 15; button 8; stone quarries 5; bean curd 8; plating 13; woodwork 16; miscellaneous 120; total 539. Government has already announced that a large area of land will be available for industrial development in the Kun Tong area. The Company has made all provisions for an adequate supply of electricity to this area. In order to give an overall picture of recent progress, comparative figures for the past years are given below:

(A) Generation.					
	1953/4	1954/5	Increase	1955/6	Increase
	Units	Units		Units	
	313,000,000	367,000,000	17½%	437,000,000	19.07%
(B) Number of Consumers.					
	1953/4	1954/5	Increase	1955/6	Increase
	55,980	65,412	16.8%	80,474	23.03%

Shareholders should realise the growing importance of the relationship existing to-day between our Company and the industrial life of the Colony, and that any recession in trade must inevitably seriously affect our returns. To encourage industrial growth the Company offered minimum rates to factories.

The rapid progress in the development of atomic energy may well affect the depreciation of the orthodox plant we now have on order by a factor of abnormal obsolescence. The Company therefore writes off against each completed unit of the new plant an initial proportion of its initial cost, together with the normal annual depreciation of 7½ per cent. The construction of a new station together with the plant is progressing favourably and the section of the Turbine Room to house the new No. 6B Turbo-Alternator is already completed. Erection of No. 6B Turbine is proceeding at high speed. It is hoped that it will be possible to put the turbo-alternator into commission before the end of the year. This will be followed by the erection of No. 5B Turbo-Alternator, the materials for which will begin to arrive during the second quarter of 1957. A reasonable proportion of the boiler structure and steelwork has been received for Nos. 10B and 9B Boilers, erection of which will commence shortly. If everything goes as planned, it is anticipated that the first unit will be available for operation about August 1957.

The sea wall enclosing the land we are reclaiming at the side of our existing property at Hok Un is now nearing completion. The major part of the area enclosed has been filled, providing land for the erection of a 10,000-ton oil storage tank which is required to secure the Company's requirements of fuel oil. The remaining portion will not be filled until excavation works attendant upon the provision of culverts, pump houses, etc. in connection

with the completion of the new Power Station has been carried out. Approximately 27 miles of underground cables were laid during the year. In addition to this, 124 miles of copper conductors were added to our overhead network. A further 226 new street lamps were installed, bringing the total number now in operation to 2,956. In pursuance of the policy outlined last year, work was put in hand on the supply to Lantau. Unfortunately, there has been some delay due to technical problems in connection with the submarine cable. Ma Wan however already enjoys this facility. This year 22,503 metres were installed, and 30,230 metres were calibrated for service. In addition, 30,407 installations were checked prior to connection to the Company's mains. There are no figures comparable to these in any year in the Company's past history.

We are transferring \$13,500,000 as earnings retained and reinvested in the business. Whilst on the question of profits, consideration is being given to equalising, so far as possible, the payments to shareholders in respect of interim and final dividends. Should the Board, therefore, decide to increase the interim dividend in the ensuing year, shareholders will understand that this will not necessarily mean that the gross dividend for the year will exceed that of the previous year. The balance carried forward from the previous year was \$2,314,267 and to this must be added the balance shown in the Profit and Loss Account amounting to \$8,726,713. After making due allowance for the appropriation of the interim dividend of 30 cents per share amounting to \$2,520,000, there is a balance of \$8,520,980 for the payment of a final dividend of 80 cents per share on fully paid shares and a proportionate amount on partly paid shares absorbing \$6,720,000; \$1,800,980 will be carried forward to next year.